ANNUAL REPORT 2014

Citizen Services

ANNUAL REPORT 2014

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Esther Alcocer Koplowitz
Chairwoman of FCC

HISTORY, STABILITY AND THE FUTURE

Dear Shareholder,

For our Group, 2014 was the year in which we managed to combine history and the future, out of stability.

History, because after more than 100 years since it was founded, FCC has initiated a new phase with the largest capital increase ever undertaken to date, approved by all of you at the end of last year, and which has led to the entry of the company Control Empresarial de Capitales S.A. de C. V. represented by the engineer and Mexican businessman Carlos Slim, with a 25.6% holding in our Group.

I am convinced that nothing great can be done in life without passion, and this has been the attitude of the historic FCC shareholder, Esther Koplowitz. Her passion, her greatness and her intelligence have made the entrance of world-class investors possible, who, like you, are committed to our Group.

The decisive support and confidence shown by all, allows us to face the future with greater stability.

At present, where there are already clear signs of recovery in the Spanish economy, we can say that FCC is in the process of overcoming the most difficult year of the toughest crisis ever seen in the hundred-year history of the Group. Despite these difficulties, we always had the necessary determination and total conviction to make the decisions that had to be made, and these decisions were the right ones.

In 2014 the Group achieved two milestones: the refinancing of the debt and the capital increase. This was the only formula that would allow FCC to continue to be an internationally renowned Citizen Services Group and the best guarantee to ensure that FCC's great human resources continue to be its most important asset.

Decisions and actions always have specific economic, social and environmental consequences. For this reason, it is necessary, today more than ever, to multiply our efforts, both in terms of transparency in management, and in terms of corporate governance practices, and to enhance our Corporate Social Responsibility models, as a commitment by FCC to its shareholders, workers, trade unions, customers, suppliers and society to which we have a duty.

Our experience in this area has the endorsement and recognition of the main indicators of management excellence. We have been committed for over a decade to the principles of the United Nations Global Compact and our annual CSR reports are verified by the Global Reporting Initiative.

Looking ahead, I only envisage new challenges. It is in our hands to convert these challenges into new opportunities and to achieve this we will continue to make decisions; however hard they may be. They will always be in a clear minority compared to the joys and successes that, I am sure, lie ahead.

We therefore count on our most important asset: people; and alongside these people, is the effort made and a job well done, essential concepts in the motto of our Group. If we add the commitment of our shareholders to this, we establish the most reliable formula to face the future with confidence.

Achieving this will be a common task for which I know I can count on all of you.

Esther Alcocer Koplowitz
Chairwoman of FCC

Juan Béjar Ochoa
Executive Vice-President and CEO of FCC

THERE IS A LOT OF WORK YET TO BE DONE

A year ago we titled our annual report "On the path of transformation" due to the changes we had to face. One year later I must say that the transformation is not over, because change, as a permanent element in business activity, is what makes it possible to achieve excellence.

Since the appointments at the end of January 2013 of Esther Alcocer Koplowitz as Chairwoman and myself as Executive Vice-President of the Company, a lot has been achieved and I would like to share my vision with you. As you may remember, in 2013 we drew up a Strategic Plan that we continued developing and implementing throughout 2014. The main points of that plan included: reduction of debt (2,200 million euros) by selling non-essential assets, cost reduction amounting to 200 million euros, and refinancing of the remaining debt. Last of all, to all this, the capital increase at the end of 2014 was added.

This capital increase was the largest ever in the history of FCC. It totalled 1,000 million euros via the issuance of 133,269,083 new ordinary shares at a price of 7.5 euros per share. The success of the operation was shown by the market response, because the demand for securities was 9.2 times the supply on offer, that is, excess demand was quite significant in a still complicated economic situation in Spain.

In the course of this operation, Carso Group, owned by the Mexican businessman Carlos Slim, reached an agreement to buy the property rights of Esther Koplowitz and became the leading shareholder of FCC, with 25.64% of the shares, having paid 650 million euros. As a result, FCC includes two of the most relevant investors in the world among its shareholders, which is something that no other company (not even outside Spain) can boast: Carlos Slim and Bill Gates.

This operation is the grand finale of the Group's financial and operating stabilisation process and marks the commencement of a phase where the focus is on profitable operations and returning to growth.

Another successful event was the refinancing of debt in March 2014. Debt was classified into two types: a tranche of debt that is sustainable for the Company and another tranche of excess debt. The funds brought in by the capital increase made it possible to redeem 900 million euros of the excess debt. We were successful in securing a 15% reduction with the creditor entities, an unprecedented occurrence among companies listed on the Ibex-35. Of the remaining funds, 100 million euros went to Cementos Portland Valderrivas, 100 million to FCC Environment, and the other 35 million were used for the expenses normally connected to a transaction of these characteristics.

In short, we have strengthened our equity position, we have lowered our debt level and shall improve our income statement by reducing our financial burden.

As already mentioned, in 2014 we continued to carry out our Strategic Plan. Fulfilment of our commitments is what has drawn first rate international investors such as Bill Gates and George Soros. The market is of the same opinion and we have become the icon of the economic recovery of Spain.

In fact, 80% of the goals set in our Strategic Plan had already been reached by year-end 2014. By means of the capital increase, the other milestones reached in 2014 were the debt reduction, cost reduction, the arrival of new investors and the refinancing of debt.

In the divestments chapter, last year we continued the process of selling our holdings. At year-end 2013 the sale of assets had lowered our debt by 780 million euros. One year later, total divestments amounted to 1,740 million euros. Of this amount, 771 million corresponded to FCC Energía, 80 million to Cemusa, 70 million to FCC Environmental and the remaining 32 million to the Logistics division. We expect to complete this divestment plan in the first half of the present year. The sale of Globalvía is the main operation that is pending because earlier in the year we decided to remove the 'for sale' tag from Realia. This decision is based on the change of cycle and of expectations for the real estate sector in our country, together with the intention of our leading shareholder, Carlos Slim, to invest in this Company after offering to acquire Bankia's holding in Realia.

Cost reduction is another one of the main points of our Plan. In the Construction area, measures have focused mainly on the reduction of production and structural means in the domestic business. To this end, two Redundancy Plans (ERE in the Spanish acronym) have been carried out. The first one cut headcount by 900 individuals, entailing annualised savings of 45 million euros, while the second one will affect 875 individuals with annualised savings of 50 million euros. At year-end, 65% of the latter redundancy measures had been carried out.

In the Cement area, the cost reduction has taken the form of closing of non-profitable ancillary businesses in Spain, via redundancy plans (EREs) and temporary redundancy measures (ERTE) for personnel, and restructuring non-profitable businesses (concrete, mortar and aggregates). These measures represent annualised savings of 28.3 million euros.

The cost rationalisation chapter was completed with the redundancy plan (ERE) at Central Services. Approved in the third quarter of 2013, it affected 300 individuals and in the year 2014 it represented estimated annualised savings of 10 million euros.

2014: Starting point

Results in 2014 have shown that the efficiency and restructuring measures adopted in the Strategic Plan implemented in the second quarter of 2013 are starting to yield their fruits. Ebitda in 2014 amounted to 804 million euros, a 12.1% increase over the previous year.

Last year, our Group reduced its losses by over half (51.9%) to 724 million euros compared to 1,506 million a year earlier. This negative result was a consequence of provisions and non-recurring write-offs worth 781 million euros in the third quarter of the year, which completed the restructuring commenced in 2013.

Apart from the efficiency and restructuring measures, the 12.1% improvement of Ebitda was also possible thanks to the stability of the Environmental Services and Water areas. As a consequence of this, the operating margin rose to 12.7% compared to 10.6% the year before. By business areas, the environment and the water divisions account for three quarters of the Group's operating profit.

The growth of Ebitda was also significantly enhanced by Cementos Portland Valderrivas. The profit of 104 million euros is twice that of the year 2013. To this we must add the recovery of the market in Spain, something noticeable since the third quarter of 2014, which is becoming consolidated in the first months of the present year.

Financial debt is another one of the salient aspects of the year 2014. At year-end, after the capital increase in December, the Group's debt totalled 5,016 million euros, a 15.9% reduction from the debt recorded at year-end 2013.

Turnover totalled 6,334 million euros, which is 6.2% lower than the previous year, largely attributable to the contraction in construction demand in Spain and to the more selective growth in the construction area abroad. Specifically, income in the Construction division declined by 20.1% in year-on-year terms, due to the continuing adjustment of government investment in infrastructures over the last few years in Spain.

Four fifths of this decline corresponds to the Spanish market and only one fifth can be attributed to the rest of the countries where FCC is present. In the international area more selective growth targets have been set, focusing on optimising returns and cash generation rather than expanding activities. By geographical areas there was a strong 90.3% hike in income in the Middle East and Northern Africa due to the commencement of works on the underground in Riyadh in the Construction area. Conversely, income in Latin America declined by 27.1%, mainly due to the completion of other projects such as line 1 of the Metro and the reorganisation of road traffic in Panama City. The commencement of works on the Lima metro is scheduled for the second quarter of 2015.

Excluding Construction, income for the rest of the Group areas rose by 2.5%. In the Environmental Services area, income grew by 1.2% boosted by business in the UK, while in the Water area the rise amounted to 0.9% thanks to the sound concession business. In the Cement division income grew slightly by 0.4% thanks to exports, which offset the decline of income in Spain, linked to the closing of non-profitable operations involving the sale of cement derivatives.

On the other hand, the business portfolio remains at the historical high reached at year-end 2013. In December 2014 it was at 32,996.5 million euros (-1.1% compared to the year before) supported by growth in the Water area.

Profits and returns are unrenounceable targets

With these results we have laid the foundations for FCC's future growth. If we add to this the almost total achievement of the March 2013 Strategic Plan and the determination to continue reducing costs, generating cash and improving margins, I can assure you that we are facing 2015 and the following years expecting to recover profits and returns as unrenounceable targets.

In our quest to achieve returns, the strategy set by our shareholders and management team includes:

- Further pursuing the cost reduction culture and maximum flexibility to adapt to changing market conditions.
- Boosting the Water and Environmental businesses. At year-end 2014, the two areas combined accounted for 59% of our turnover and we expect this to continue rising. Within the Water area, growth will be centred on the concession business, with strong geographic presence in Latin America and the Middle East. In the Environmental area growth will take place mainly in the UK and Central Europe, whereas in Spain, we aspire to maintain our market share and position of leadership.
- The demands in International Construction are greater. We shall boost returns by being stricter when selecting contracts, limited to the countries where we are currently present, with positive cash flow and pre-tax profits during all the years the works last.
- Supported by the change of cycle in the Spanish economy, we shall take advantage of the recovery of the Construction and Cement markets. With this approach, FCC Construcción plans to focus on large and medium-sized projects, while seeking to strengthen our competitiveness in Spain and abroad and play an active role in infrastructure development.

This strategy, however, would make no sense if the FCC resulting from all these measures and efforts had not yielded a global Group with a new culture based on flexibility, responsibility, merit and efficiency. To this we must add the strengths contributed by all the individuals making up this great Group. The behaviour and commitment shown by all the so-called stakeholders, led by our employees, the trade unions, customers, suppliers and financial entities, among others, are behind the fact that FCC's main strengths should include:

- Historical leadership position in all areas.
- Advanced technology and integrated service offering.
- Balanced and diversified business model.
- Recurring business with highly visible income.
- Success history in renewal of contracts.
- Good positioning for long-term growth.
- Shareholders committed to the long-term project.

In summary, and as stated in the heading of this letter, although there is a lot yet to be done, we have laid the foundations to make FCC a global Group in citizens services, enjoying a leading position in all the activities where we are present: from Environmental Services to Water, with Infrastructures in between. This goal is within reach for all of those who form FCC.

Juan Béjar Ochoa
Executive Vice-President and CEO of FCC

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GOVERNING BODIES

BOARD OF DIRECTORS

Esther Alcocer Koplowitz,
On behalf of Dominum Desga, S.A.
Chairwoman
Proprietary Director

Samede Inversiones 2010, S.L.
Represented by: Esther Koplowitz Romero de Juseu
First Vice-Chairwoman
Proprietary Director

Juan Béjar Ochoa
Second Vice-Chairman and Chief Executive Officer (CEO)

EAC Inversiones Corporativas, S.L.
Represented by: Alicia Alcocer Koplowitz
Proprietary Director

Dominum Dirección y Gestión, S.A.
Represented by: Carmen Alcocer Koplowitz
Proprietary Director

Inmobiliaria AEG, S.A. de C.V.
Represented by: Carlos Slim Helú
Proprietary Director

Inmuebles Inseo, S.A. de C.V.
Represented by: Juan Rodríguez Torres
Proprietary Director

Alejandro Aboumrad González
Proprietary Director

Gerardo Kuri Kaufmann
Proprietary Director

Manuel Gil Madrigal
Independent Director

Henri Proglio
Independent Director

Álvaro Vázquez de Lapuerta
Independent Director

Francisco Vicent Chuliá
Secretary (non-member)

Felipe Bernabé García Pérez
Vice-secretary (non-member)

EXECUTIVE COMMITTEE

Chairman

Juan Béjar Ochoa

Members

Esther Alcocer Koplowitz,
on behalf of
Dominum Desga, S.A.

Alicia Alcocer Koplowitz,
on behalf of
EAC Inversiones Corporativas, S.L.

Alejandro Aboumrad González

Gerardo Kuri Kaufmann

Secretary (non-member)
Francisco Vicent Chuliá

Vice-secretary (non-member)
Felipe Bernabé García Pérez

AUDIT AND CONTROL COMMITTEE

Chairman

Henri Proglio

Members

Alicia Alcocer Koplowitz,
on behalf of
EAC Inversiones Corporativas, S.L.

Juan Rodríguez Torres,
on behalf of
Inmuebles Inseo, S.A. de C.V.

Manuel Gil Madrigal

Álvaro Vázquez de Lapuerta

Secretary (non-member)
Felipe Bernabé García Pérez

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Chairman

Álvaro Vázquez de Lapuerta

Members

Esther Alcocer Koplowitz,
on behalf of
Dominum Desga, S.A.

Juan Rodríguez Torres,
on behalf of
Inmubles Inseo, S.A. de C.V.

Manuel Gil Madrigal

Secretary (non-member)
Felipe Bernabé García Pérez

** Information updated on the date of release of this Annual Report*

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GOALS AND STRATEGIES

GOALS AND STRATEGIES

The refinancing of the debt, approved at the end of the first quarter of the year, and the capital increase, closed at year-end 2014, have automatically led to the starting of a new phase for FCC. These two movements mean in practice the early completion of the targets set in the Strategic Plan of March 2013. It is true that some of them, such as the improvement of the operational management with special emphasis on the results of all the divisions, have become a kind of mantra indispensable to the management team and, therefore, for all those that make up the Group. The same philosophy can be applied to the recovery of the capacity to invest in all the activities that constitute the core business. However, to meet these challenges it is necessary to complete, in full, the task undertaken over the last two or so years.

The divestment of assets is almost completed with the sales of FCC Energy, Logistics, Cemusa and FCC Environmental, totalling almost 1,800 million Euros. This divestment will be virtually closed with the sale of Globalvía, an operation which is expected to be approved in the current year. It should be noted in this chapter, the change in criteria in relation to the other large pending transaction: Realia. The arrival of a new majority shareholder in the Group and the clear change of cycle in the real estate sector in our country have led to our removing the "asset for sale" poster for our stakes in the real estate company.

2014 also saw the completion of the balance sheet restructuring undertaken almost two years earlier. In the third quarter results of the year new provisions were made along with non-recurring impairments amounting to 781 million Euros. As a result of these measures, annual losses totalled 724 million euros. A high figure, without doubt, but it reduced by half (-51.9%) the previous year's losses. With these new provisions the item "balance-sheet cleaning" is now definitively closed, having exceeded 3,000 million euros over the last three years.

Transformation achieved

The transformation process of the different business areas has become a tangible reality in the year 2014, with the fulfilment of the Group's objectives.

In the area of **Environment** a new business model is being implemented in Britain that involves strengthening recovery plants at the expense of landfills.

In the area of **Water**, in addition to addressing the evolution of tariffs and obtaining new contracts, in the past year, FCC Aqualia consolidated its presence in the Middle East (with the construction of a desalination plant in Djerba, Tunisia for 70 million euros) and in Northern Africa (with a contract worth 300 million euros for the development and management of the waste-water network in Al Dhakhira, Qatar, over the next 10 years).

In **Construction**, the consolidation of margins is already an unavoidable condition in all offers. In 2014, FCC Construction led two consortia that were awarded contracts totalling 3,800 million euros. Of these, 3,300 million will correspond to the design and construction of a branch of line 2 and line 4 of the Lima Metro (Peru), while the remaining 500 will come from the construction of the Red line of the Doha Metro (Qatar).

In the area of **Cement** the positive evolution of the business is supported by the good performance of the plants in Tunisia, the increase in sales in Spain, the impact of adjustment plans carried out in 2013, and increased sales of emission rights.

Added to this is the adaptation of the Central Services structure to the business.

The new FCC

The result of all this has been what could be called "the new FCC". Today FCC is a Group with a leading position in its strategic markets, that has extensive international presence and high earnings visibility.

STRENGTHS OF FCC GROUP

Leadership in domestic markets
Position of reference in Spain, Central Europe and the United Kingdom

International presence
44% of income from international markets

Complex offer in environmental services and water
From the treatment of waste to the integrated water cycle management

Specific know-how
Experience and management in complex infrastructure and environmental services projects

Visibility of income/ profitability
Portfolio hedging on income is at 5.2 years

Recurrence of the business
+74% of EBITDA of the Group supported by long-term contracts with a high renewal rate

	Construction	Environment	Aqualia
Portfolio 2014	6,213 M euros	11,670 M euros	15,114 M euros
International	69%	39%	30%
Turnover	2,076 M euros	2,805 M euros	954 M euros
Portfolio hedging	2.99 years	4.16 years	15.84 years

Strategic Lines

At year-end 2014, the lines of action of the FCC management teams are focused on:

- **Promote Water and Environment**
  At the end of 2014, the Services areas already accounted for 59% of turnover and its significance is expected to continue growing.

  On the other hand, in the area of Water, growth is focused on the concession business and sights are set on Latin America and the Middle East.

  In contrast, in the area of Environment, growth is centred on the UK and Central Europe and on maintaining market share in Spain.

- **Increased requirements for International Construction**
  At this point we should mention the boost in profitability in International Construction through greater rigour in the selection of contracts, limiting business to countries where FCC is currently present, with positive cash flow during every year of the work, and a pre-tax profits of at least 5%.

- **Recovery of Construction and Cement**
  One of the main objectives of the Group is to take advantage of the recovery of the construction and cement markets in Spain and Europe.

- **Improved performance of financial indicators**
  For FCC it has become a priority to see the return to profits (already obtained in the quarterly results closed as of 31 March 2015), whilst at the same time reducing the level of financial debt, with the goal of achieving a debt/Ebitda ratio of 4.

- **Development and capturing "global talent"**
  The Human Resources policy remains committed to professionals engaged in this new FCC project, with motivation, seeking results and overcoming difficulties as "essential requirements" in our DNA. To achieve this, development and talent recruitment will be focused to setting up teams and on global projects.

- **Selective and profitable presence in international markets**
  Latin America will be the main stage of international operations, together with the Middle East, USA, Canada and the OECD countries, with special emphasis on Britain and Ireland.

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REGULATORY DISCLOSURES NOTIFIED TO THE CNMV (SPANISH NATIONAL SECURITIES MARKET COMMISSION)

RELEVANT EVENTS 2014

8-1-14	The Company reports progress in the refinancing process.
17-3-14	The Company announces the sale of Cemusa for 80 million euros.
1-4-14	The Company announces the signing of the refinancing process for 4,512 million Euros.
1-4-14	Formulation of Annual Accounts and Management Reports, both individual and consolidated, for 2013. Approval of the Corporate Governance Annual Reports and Remuneration of Directors for the year 2013.
3-4-14	Call for the Meeting of Bondholders.
28-4-14	Changes in the composition of the Board of Directors, of the Appointments and Remuneration Committee and the Audit and Control Committee.
5-5-14	The Company reports the outcome of the Meeting of Bondholders held on this day.
21-5-14	The Company calls the General Shareholders Meeting.
24-6-14	Resolutions adopted at the General Shareholders Meeting, held on June 23, 2014.
30-6-14	Changes in the composition of the Board of Directors.
8-7-14	Shareholder agreement linked to the exercising of warrants.
8-8-14	Modification of Terms and Conditions for the issuance of FCC, S.A. bonds.
2-10-14	The Company announces changes in the composition of the Board of Directors.
15-10-14	The Company reports progress in the capital increase process.
17-10-14	FCC sells its Environment division in the US for 70 million Euros.
20-10-14	The Company reports the resolution of the Board of Directors for a capital increase by calling an Extraordinary General Meeting of Shareholders.
14-11-14	The Company reports a Relevant Event relating to the Controlling Shareholder.
18-11-14	The Company reports the temporary suspension of the Liquidity Contract.
21-11-14	Resolutions adopted at the Extraordinary General Shareholders Meeting, held on November 20, 2014.
24-11-14	The Company reports a Relevant Event relating to the Controlling Shareholder.
27-11-14	The Company reports a Relevant Event relating to the Controlling Shareholder as well as the Investment Agreement signed by same.
27-11-14	The Company reports a Relevant Event relating to the launch and the terms of the FCC capital increase.
28-11-14	The Company reports the presentation of the Roadshow on the capital increase.
2-12-14	The Company reports a Relevant Event relating to the Controlling Shareholder. Shareholder agreements concerning B-1998 whose

	participants include, among others, Larranza XXI, S.L. and CaixaBank, S.A., reported on 26/05/2011 and 03/04/2014, have been partially suspended.
2-12-14	The Company reports on the amendment of certain terms of the contract of the CEO.
4-12-14	B-1998 and Azate execute the sale of their rights in the FCC capital increase.
15-12-14	Control Empresarial de Capitales, S.A. de C.V., has performed the subscription and payment of new FCC shares corresponding to preferential subscription rights acquired by B-1998 and Azate on December 3.
18-12-14	The Company declares the capital increase to be fully subscribed and paid-up, with an over-demand of 9.2 times.
19-12-14	The Company confirms the registration in the Mercantile Register of Barcelona of capital increase deeds.

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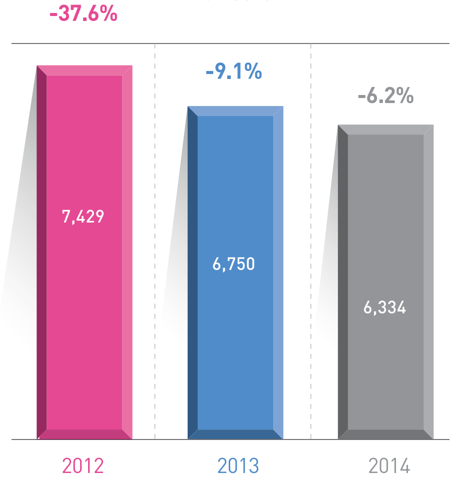
FCC IN FIGURES

Engineer Gilberto Borja Navarrete Bridge – San Marcos Viaduct (Mexico).

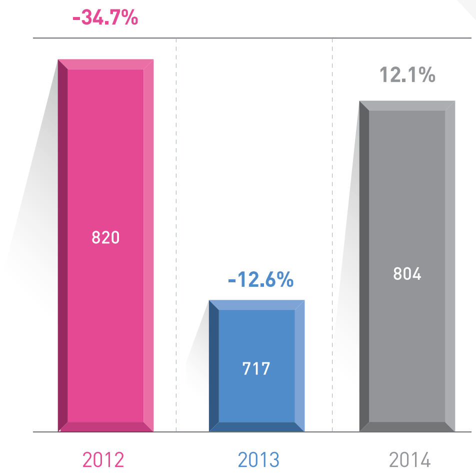
REVENUES

Million euro



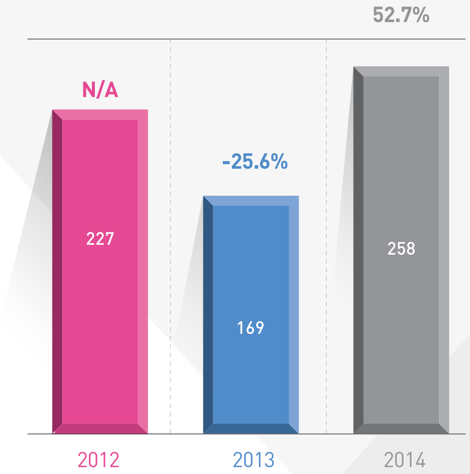
GROSS OPERATING PROFIT (EBITDA)

Million euro



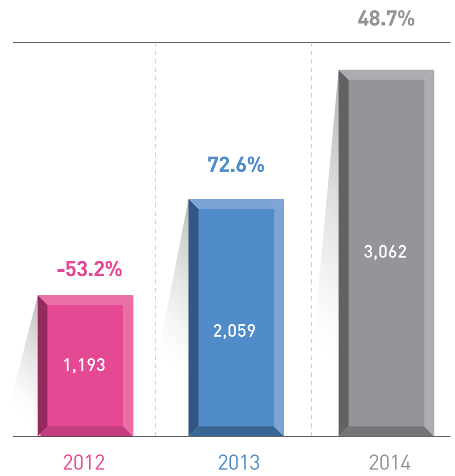
NET INVESTMENTS

Million euro



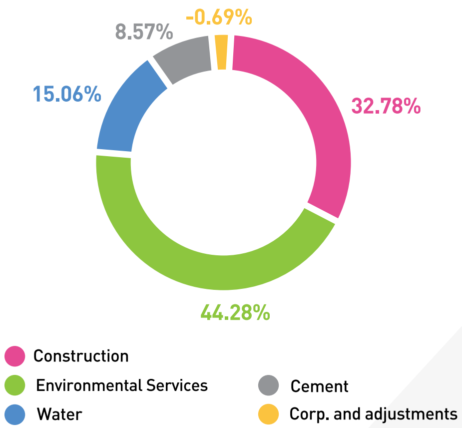
MARKET CAPITALIZATION

Million euro



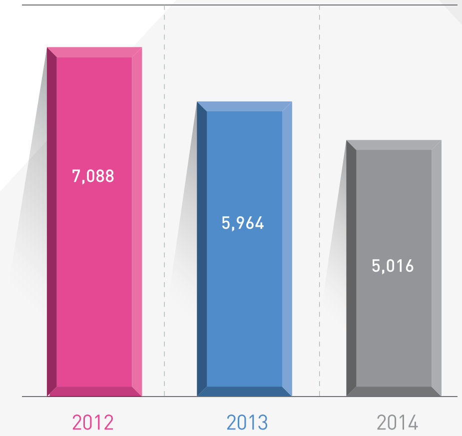
REVENUES

by business activity



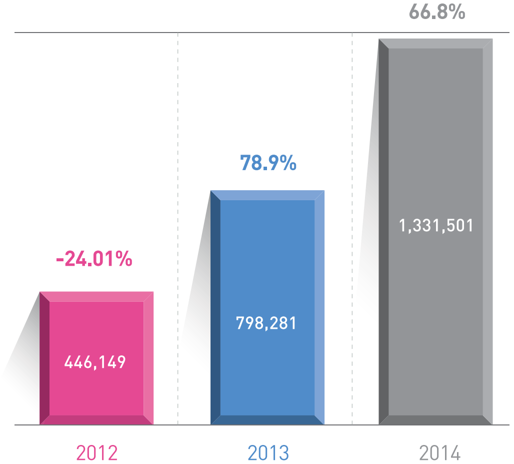
NET FINANCIAL DEBT

Million euro



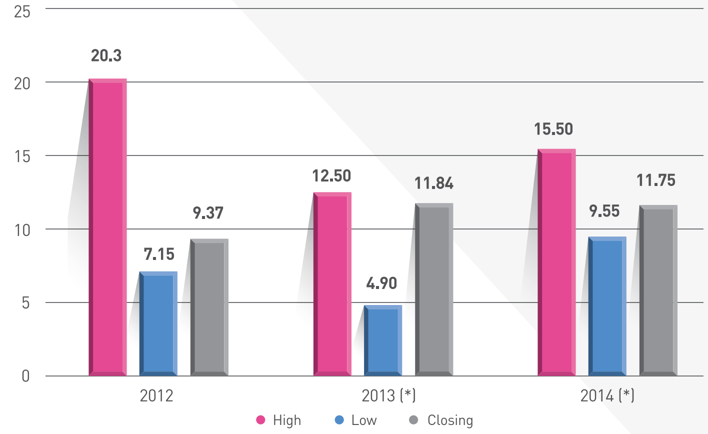
TRADE VOLUME

Nº shares daily average



SHARE PRICE: HIGH, LOW AND YEAR-END

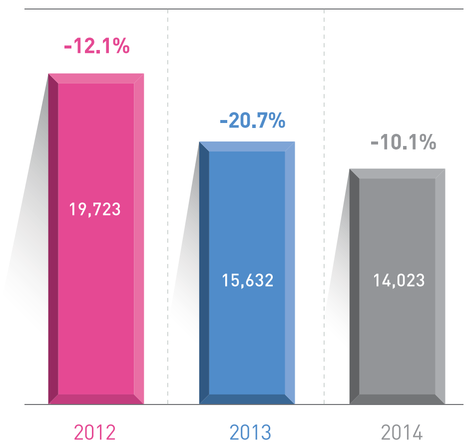
In euro



(*) Adjusted data due to the capital increase in 2014 amounting to 133.26 million shares

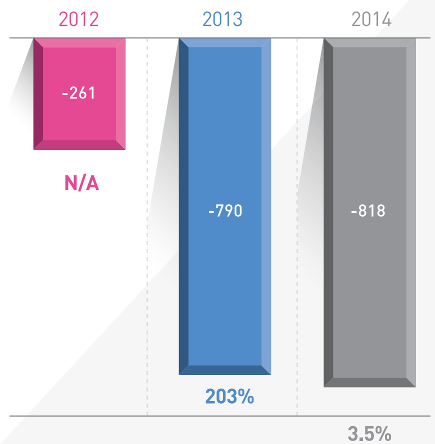
TOTAL ASSETS

Million euro



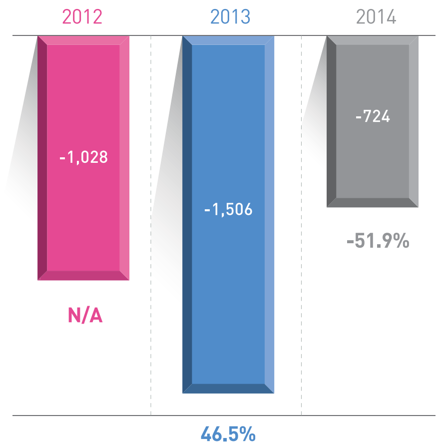
EARNINGS BEFORE TAXES (EBT)

Million euro



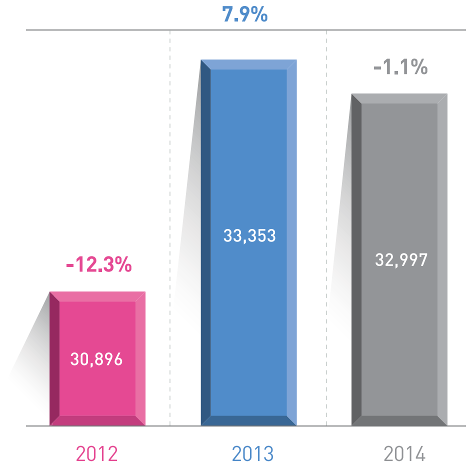
PROFIT ATTRIBUTED TO PARENT COMPANY

Million euro



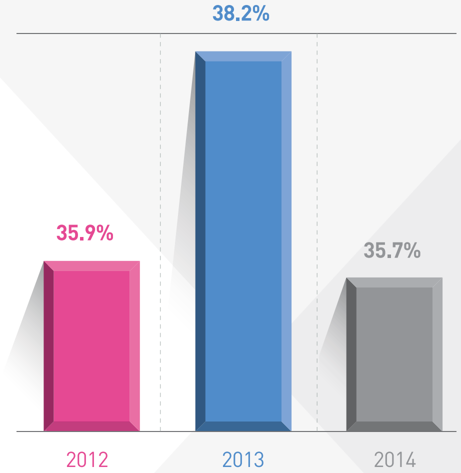
BACKLOG

Million euro



% FINANCIAL LEVERAGE

(Net debt/Total assets)



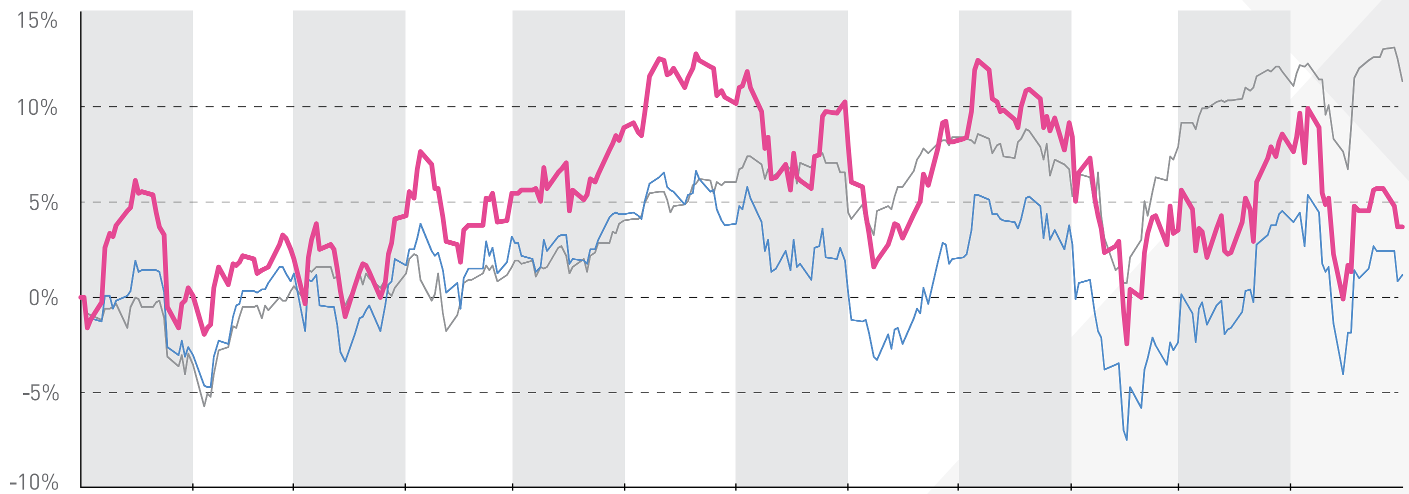
MARKET AND SHARE PERFORMANCE

The year 2014, with many ups and downs, has shown an uneven global recovery. Geopolitical tensions have worsened. For the time being the macroeconomic effects seem to be limited mostly to the regions from which they originated, but there are risks of possible more widespread upheavals.

Global growth in 2014 has been slower than expected; IMF forecasts from earlier this year fell 0.4 percentage points to 3.3% at the end of the year, as with the Eurozone (0.8% vs 1%). The forecast for world growth in 2015 (3.8% vs 4%) is also slightly lower than expected and is based on monetary policy remaining highly accommodative. During the year, the European Central Bank (ECB) announced a range of measures to tackle the low level of inflation and other measures to increase liquidity (LTRO, buying bonds and ABS). We should remember that the ECB cut rates from 0.25% to a record low of 0.05%, the level at which it currently remains, and in December it decided to give the latest stimulus measures more time before launching the expected programme to buy government debt, which finally happened in January 2015.

In the US macro data showed an undeniable improvement in economic activity in the country, which has prompted the Federal Reserve to continue to cut the monthly volume of asset purchases and to forecast a rise in interest rates for the second half of 2015. The Nasdaq and Dow Jones indices closed the year with increases of 13.4% and 7.5% respectively.

ANNUAL PERFORMANCE OF S&P500, IBEX35 and EUROSTOXX50



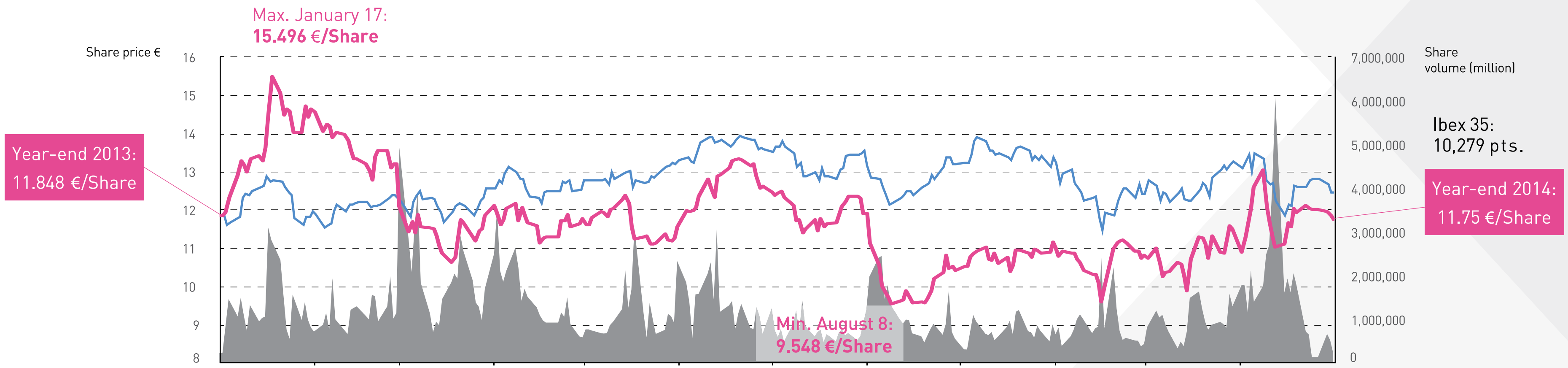
	2013	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	2014
S&P 500	29.6%	-3.6%	4.3%	0.7%	0.6%	2.1%	1.9%	-1.5%	3.8%	-1.6%	2.3%	2.5%	-0.4%	11.4%
Ibex 35	21.4%	0.0%	2.0%	2.2%	1.1%	3.2%	1.2%	-2.0%	0.2%	0.9%	-3.2%	2.8%	-4.6%	3.7%
Eurostoxx 50	17.9%	-3.1%	4.5%	0.4%	1.2%	1.4%	-0.5%	-3.5%	1.8%	1.7%	-3.5%	4.4%	-3.2%	1.2%

In this context, the financial markets have generally been optimistic: stock prices have risen due to the effect of interest rates, spreads have tightened and volatility is very low, although this has not translated into an upturn in investments, which has remained attenuated. The S&P500 index, an indicator that measures the development of the 500 largest stocks, rose 11.4%.

In Spain economic growth has resumed, supported by external demand and an increase in domestic demand reflecting the improvement in financial conditions and the strengthening of trust. The Spanish GDP stood at 1.4% this year, a tenth above that forecast by the IMF, and is predicted to rise + 1.7% in 2015. The Spanish index, IBEX 35, rose 3.7% closing the year at 10,279.5 points.

In 2014 the share price performance of FCC remains virtually flat (-0.8%) and has been marked by the capital increase carried out in the month of December. The prices listed in the chart below have been adjusted for this effect for the entire year. The price reached 15.49 Euros per share in January and fell to rock-bottom lows of 9.54 Euros per share in August.

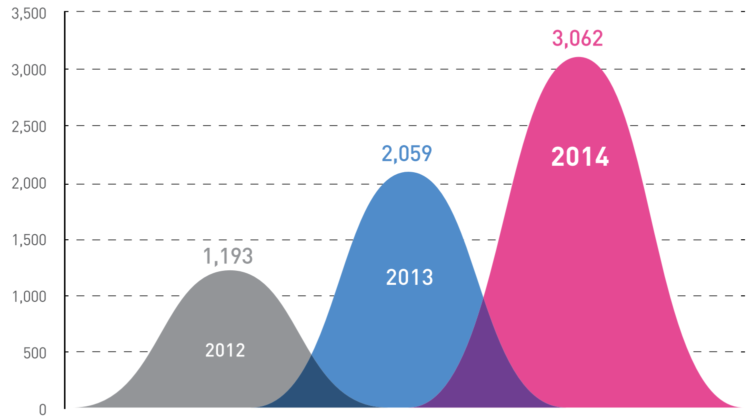
ANNUAL PERFORMANCE OF FCC SHARES



	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	2014
% Var. FCC	22.9%	-16.9%	0.2%	-4.1%	-0.5%	7.9%	-4.6%	-12.4%	7.1%	-3.9%	7.2%	2.1%	-0.8%
% Var. Ibex 35	0.0%	2.0%	2.2%	1.1%	3.2%	1.2%	-2.0%	0.2%	0.9%	-3.2%	2.8%	-4.6%	3.7%
% Var. Sector	5.7%	5.5%	5.5%	2.6%	1.6%	2.6%	-4.2%	-1.9%	-2.2%	-1.6%	-0.9%	-1.1%	11.8%

MARKET CAPITALIZATION

FCC ended the year with a capitalization of 3,062 million Euros, with a significant increase, due to strengthening the equity generated by the capital increase at the end of the year.



TRADE

The total volume traded this year exceeded 338 million shares, with a daily average of 1,331,501 shares, 66.8% more than the daily average of 2013. Throughout the year a volume of 130% of the total FCC share capital has changed hands.

DIVIDENDS

The Board of Directors of FCC maintains, since 2013, a policy not to pay dividends.

This decision, unchanged in 2014, is part of the restructuring process undertaken two years ago, which aims to increase operational efficiency and strengthen the balance sheet; it will have to be ratified by the General Meeting of Shareholders which is to be held in the first half 2015.

TREASURY STOCK

FCC Group does not perform transactions with its own shares other than those contained in the CNMV (Spanish Securities Exchange Commission) Framework agreement on Liquidity Contracts, which aims to provide liquidity and depth to the price in accordance with the regulations in force.

During the month of December 2014 there was a capital increase amounting to 1,000 million Euros, which involved the issuing of 133,269,083 new shares, changing the share capital of the company to 260,572,379 shares with a nominal value of one Euro. In accordance with the law, when performing this operation, the liquidity contract was suspended on November 18, 2014, and was renewed on January 22, 2015.

No impact is estimated on performance obtained for the shareholder of the liquidity contract in treasury stock, since their nature and purpose is contrary to the existence of same, nor similarly in earnings per share of FCC Group.

However, at December 31, 2014, FCC Group owned, directly and indirectly, a total of 232,747 Company shares, representing just 0.089% of the share capital.

SHAREHOLDERS

Shares of FCC, S.A. are represented by book entries and listed on the four Spanish stock exchanges (Madrid, Barcelona, Valencia and Bilbao). According to the data available in the CNMV's records, as of year end, the relevant shareholders of the company are:

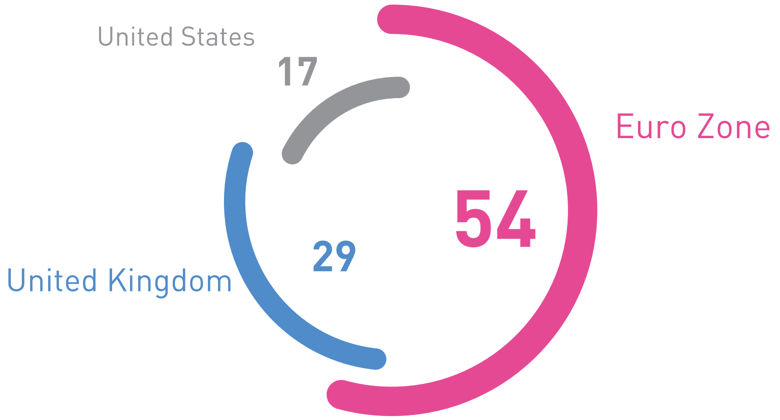
Main Shareholders	Number of Shares	% without Share Capital
Inmobiliaria Carso, S.A. de C.V.	66,798,648	25.63%
B-1998, S.A.	55,334,260	21.23%
Azate, S.A.U.[1]	8,353,815	3.21%
William H. Gates III	-	5.73%

[1] 100% subsidiary of B-1998, S.A.

However it is noteworthy that after the capital decrease carried out in B-1998, S.A. in the month of January 2015, its total stake in FCC has been reduced to 22.43% (with 3.21% via Azate, S.A.U.)

FCC's floating capital, at year end, is 44%. Its estimated distribution is: 8.9% Spanish minority shareholders, 3.5% Spanish institutional investors, and the remaining 31.6% overseas institutional investors.

The composition of the floating capital (in percentage terms), according to the origin of shareholders of which it is comprised, is as follows:



Source: Compiled by author

07

ENVIRONMENTAL SERVICES

A drone examines the sewage system of Barcelona (Spain).

ANALYSIS OF THE ENVIRONMENTAL SECTOR IN SPAIN

Over the past year, in total 114 tenders were awarded for urban sanitation services, covering activities related to the collection and treatment of solid waste, street cleaning and sewage network maintenance. This is less than the number of tenders awarded in 2013. The overall contracting volume was 1,220.1 million euros, compared to 1,556 million last year.

The year 2014 has been similar to the previous one, as we are still in the midst an economic crisis cycle, which affects the number of tenders due to budget constraint criteria. Despite this, the services order book is only 4,7 % less than the previous year.

Business activity in FCC

FCC provides urban sanitation services in 3,383 municipalities across Spain and serves a population of more than 27 million inhabitants. During 2014, FCC collected 6 million tonnes of waste and treated 7.2 million tonnes.

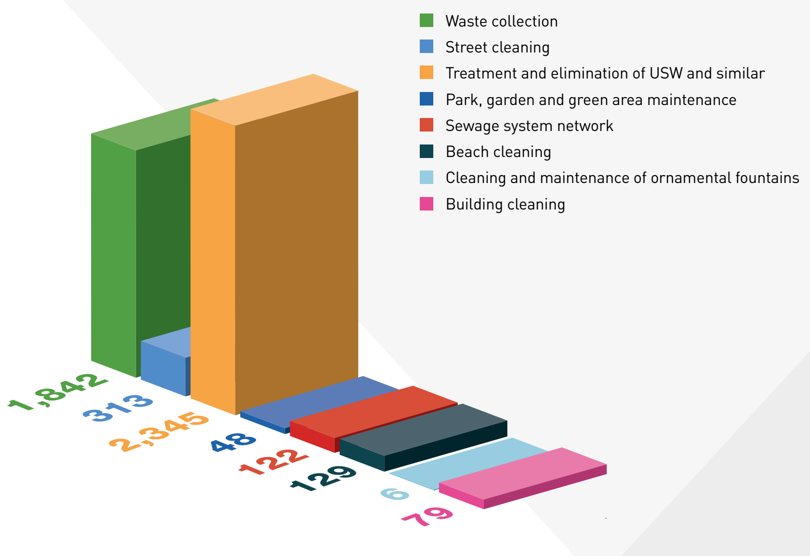
MAIN CONTRACTS AWARDED IN 2014- FCC MEDIO AMBIENTE - SPAIN

Province	Contract	Convening Agency	Company Awarded Contrat	Total Amount of Contract	Term
Barcelona	Barcelona 15 Sewage Network	Barcelona City Council	Fomento de Construcciones y Contratas, S.A.	94,101,837.53 €	8
Barcelona	Management of the Viladecans transfer plant	Barcelona Metropolitan Area	TIRSSA - Tratamiento Industrial de Residuos Sólidos, S.A.	20,866,352.00 €	4
Balearic Islands	Cleaning of Floating Solid Objets (Mallorca,Menorca, Ibiza-Formentera) 2014	Balearic Water and Environment Quality Agency	Fomento de Construcciones y Contratas, S.A.	2,446,750.00 €	2
Barcelona	Conservation and maintenance services for 318 buildings. Lots 7, 11, 15, 16 20, 21 & 22	Gestió d´Infraestructures, S.A.	UTE ICAT LOTE 11	12,010,003.57 €	3
Barcelona	ICS Maintenance 2014	Catalan Health Institute	Fomento de Construcciones y Contratas, S.A.	1,163,941.94 €	1
Balearic Islands	RBU - LLucmajor	Llucmajor Empresa Municipal de Serveis, S.A.	Fomento de Construcciones y Contratas, S.A.	8,706,550.20 €	10
Balearic Islands	RBU, street and beach cleaning in Sant Josep de Sa Talaia	San José City Council	UTE ES VEDRA	38,140,639.20 €	10
Balearic Islands	(USW) and street cleaning in Manacor 14	Manacor City Council	LUMSA - Limpiezas Urbanas de Mallorca, S.A.	9,024,327.58 €	4
Balearic Islands	USW-street cleaning-beaches in Alcudia 14	Alcúdia City Council	LUMSA - Limpiezas Urbanas de Mallorca, S.A.	6,952,472.62 €	4
Barcelona	Mataró gardens	Mataró City Council	Fomento de Construcciones y Contratas, S.A.	825,508.28 €	4
Barcelona	USW, street and beach cleaning in Mataró	Mataró City Council	Fomento de Construcciones y Contratas, S.A.	55,455,133.83 €	8
Tarragona	Ametlla de Mar street lighting	Ametlla de Mar (L´) City Council	Fomento de Construcciones y Contratas, S.A.	4,376,470.32 €	15
Lérida	USW and Landfill in Garrigues	Garrigues Regional Council	Jaume Oro S.L.	7,320,057.00 €	10
Lérida	Waste collection in Mollerussa	Pla d´Urgell Regional Council	Fomento de Construcciones y Contratas, S.A.	6,170,615.16 €	12
Valencia	Gardens in north Valencia 2015	Valencia City Council	Fomento de Construcciones y Contratas, S.A.	24,376,039.38 €	4
Castellón de la Plana	Castellón school cleaning	Castellón de la Plana City Council	Fomento de Construcciones y Contratas, S.A.	3,953,027.80 €	2

MAIN CONTRACTS AWARDED IN 2014- FCC MEDIO AMBIENTE - SPAIN

Province	Contract	Convening Agency	Company Awarded Contract	Total Amount of Contract	Term
Valencia	Alfafar street cleaning	Alfafar City Council	Fomento de Construcciones y Contratas, S.A.	3,674,047.50 €	10
Valencia	Alboraya street cleaning and USW	Alboraya City Council	Fomento de Construcciones y Contratas, S.A.	6,739,546.08 €	8
Alicante	Castalla street cleaning and USW	Castalla City Council	Fomento de Construcciones y Contratas, S.A.	4,605,012.16 €	12
Alicante	Crevillent street cleaning + USW + ECOPARK	Crevillente City Council	Fomento de Construcciones y Contratas, S.A.	17,568,251.10 €	10
Albacete	Hellin USW and street cleaning	Hellín City Council	Fomento de Construcciones y Contratas, S.A.	10,905,681.70 €	10
Córdoba	Córdoba. Container cleaning, maintenance and replacement lot C	EPREMASA-Empresa Provincial de Residuos y Medio Ambiente, S.A.	Fomento de Construcciones y Contratas, S.A.	778,014.54 €	4
Málaga	Málaga. West Málaga cleaning and sanitation	EMASA-Empresa Municipal de Aguas de Málaga, S.A.	Fomento de Construcciones y Contratas, S.A.	1,721,316.64 €	2
Ceuta	Ceuta. Special cleaning of illegal landfills	Sociedad de Fomento Procesa	UTE Ceuta	311,357.63 €	1
Málaga	Málaga Historical gardens	Malaga City Council	Fomento de Construcciones y Contratas, S.A.	3,259,099.92 €	2
Melilla	Melilla sewer cleaning	Melilla Autonomous City	UTE ALCANTARILLADO MELILLA	2,498,784.40 €	4
Palmas (Las)	Puerto del Rosario street lighting maintenance	Puerto del Rosario City Council	UTE FCC-IMESAPI	43,076,594.56 €	20
Palmas (Las)	Oliva USW, street and beach cleaning	Oliva (La) City Council	Fomento de Construcciones y Contratas, S.A.	15,211,097.33 €	10
Palmas (Las)	Puerto del Rosario USW, street and beach cleaning	Puerto del Rosario City Council	Fomento de Construcciones y Contratas, S.A.	18,792,059.71 €	10
Murcia	Cartagena coastal maintenance and cleaning	Cartagena Municipal Institute of Coastal Services	Fomento de Construcciones y Contratas, S.A.	2,783,040.32 €	4
Ávila	Packaging collection in Ávila	Avila City Council	Fomento de Construcciones y Contratas, S.A.	630,000.00 €	2
León	Cacabelos City Council street lighting	Cacabelos City Council	UTE CUA	2,087,022.60 €	12
Guipúzcoa	San Sebastián municipal buildings cleanings	San Sebastián City Council	Fomento de Construcciones y Contratas, S.A.	4,148,768.75 €	1
Guipúzcoa	Tolosa J.V. street cleaning	Tolosa City Council	LV TOLOSA UTE	4,539,871.20 €	4
Guipúzcoa	Zumarraga J.V. street cleaning	Zumárraga City Council	LV ZUMARRAGA, U.T.E	2,005,962.40 €	4
Guipúzcoa	San Marcos selective J.V.	San Marcos Association	SELECTIVA SAN MARCOS UTE I	12,820,696.56 €	3
Madrid	Madrid outskirts 2014 USW containerization services	Madrid City Council	CONTENEDORES MADRID 2 UTE	8,338,246.33 €	1
Álava	USW and street cleaning in Vitoria	Vitoria City Council	UTE FCC-GSMS	165,965,808.95 €	8
Álava	Operating the USW Gardelegui landfill	Vitoria City Council	UTE GARDELEGUI III	5,500,950.00 €	6

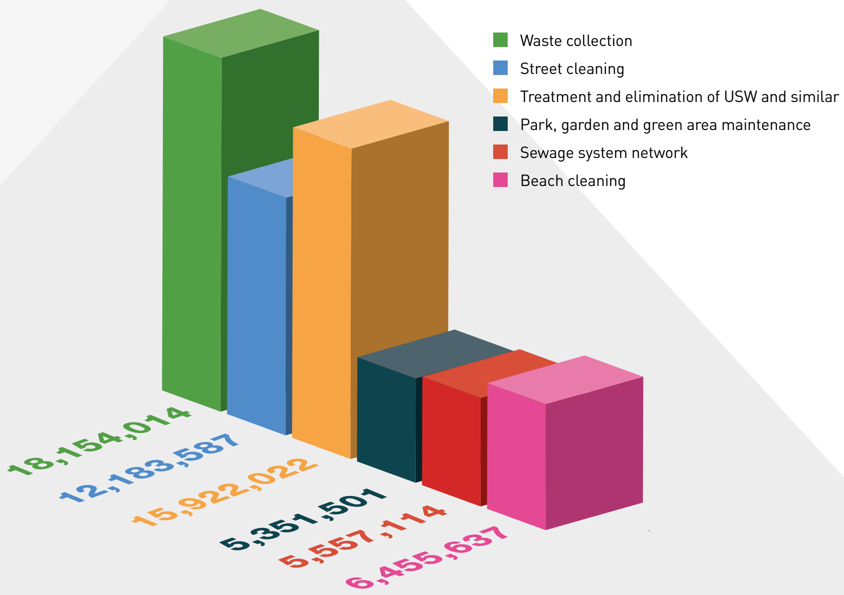
NUMBER OF MUNICIPALITIES SERVED



Summary of number of municipalities served*: 3,383

*If several services are provided to the same municipality, the municipality is only accounted for once.

POPULATION SERVED



Summary of population served (total inhabitants)*: 27,093,747

*If several services are provided to the same municipality, the population served is only accounted for once.

WASTE TREATMENT

Composting Plant and Waste Transfer Station in Epele (Bergara, Guipuzcoa)

UTE PLANTA COMPOSTAJE EPELE, a joint venture established by the companies Fomento de Construcciones y Contratas, S.A., Serbitzu Elkartea, S.L. and Construcciones Murias, S.A., has been awarded the execution of the works and facilities corresponding to the Composting Plant and Waste Transfer Station of Epele in the town of Bergara, together with the start-up of the plant, for an award amount of 5,747,122.36 euros.

The plot on which the plant is located is adjacent to the inert waste landfill of Epele (Bergara) in the community of Debagoiena. Specifically, the facilities are in a valley on the bottom of the Irutontorreta hillside, near the Epele irrigation channel, bordering the municipal districts of Arrasate-Mondragon and Bergara.

The composting plant will have the capacity to transform 9,000 tonnes per year of bio-waste into compost and, together with the composting plant of Lapatx, all the bio-waste currently generated in Guipuzcoa will be able to be treated. With these 9,000 tonnes of organic matter, around 2,300 tonnes of compost will be produced.

The facilities cover an area of approximately 8,600 m^2 and are comprised of the following buildings:

- Building for the reception and unloading of bio-waste.
- Building for the reception and storage of uncrushed structuring material.
- Building for mixing.
- Bio-oxidation tunnels. There are eight tunnels for the fermentation stage of the composting process. These tunnels are 6 metres wide, 29 metres long, with a 3 metre wall height. The upper part is a dome-shaped PVC coated metal structure.
- Building for maturation. The maturation of the composting process takes place in rows inside this building.
- Building to store the finished product (compost).

In turn, the transfer station will have the function of collecting the rejected material, paper and light packaging materials from Debagoiena, which will then be taken to the corresponding treatment plant.

The station has two platforms with a height difference of 5 metres between them. It consists of three tapered chutes through which the lorries unload their cargo into semi-trailers. The facility has a roof to prevent rainwater from entering the semi-trailers through the chutes.

In addition to these two infrastructures, the following facilities shall be available to service those mentioned above:

- Office building, operating staff services and workshop.
- Building for washing lorries.
- Weighing facility.
- Security booth.
- Development of the entire area.

The roofs of the buildings will be covered with a vertical peen in different shades of green, which provide a material continuity to the entire unit and integrates it into the natural surroundings.

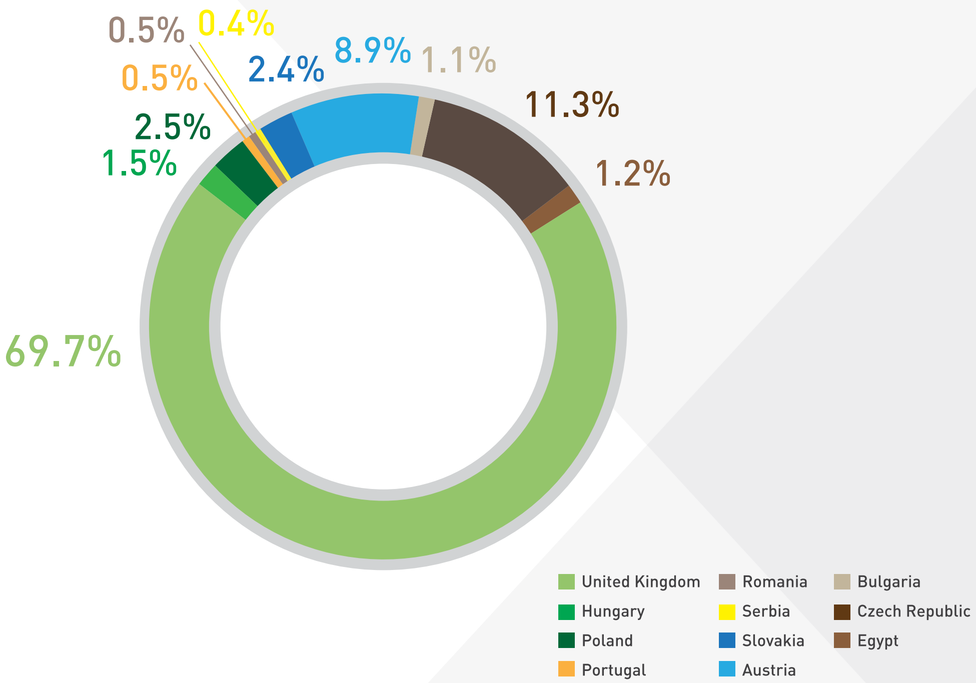
INTERNATIONAL ENVIRONMENT

TURNOVER: 1,228.1 MILLION EUROS
(Increase of 3% compared to 2013)

FCC's International Environment division is one of the leading European companies in the integrated management of municipal solid waste and energy recovery in the United Kingdom, Central and Eastern Europe and North Africa, with a presence in 11 countries (United Kingdom, Austria, Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria, Serbia, Portugal and Egypt).

International Environment Division - Turnover 2014

Geographical location



During 2014 the International Environment division was awarded 58 tender contracts in the areas of waste collection, transportation, treatment, disposal, recovery of contaminated soils and street cleaning, with a geographical distribution as follows:

UNITED KINGDOM (FCC Environment UK)

(Data refer to actual tender contracts awarded during 2014)

Contracts awarded:	22
Annual turnover:	92.5 million euros
Contracted order book:	646.2 million euros

(Data refer to contracts provisionally awarded during 2014)

Contracts awarded:	7
Annual turnover:	67.9 million euros
Contracted order book:	835.6 million euros

CENTRAL AND EASTERN EUROPE (.A.S.A.)

(Data refer only to contracts awarded during 2014)

Contracts Won:	24
Annual turnover:	31.7 million euros
Contracted order book:	57.5 million euros

OTHER COUNTRIES (FOCSA PORTUGAL)

Contracts Won:	5
Annual turnover:	2.6 million euros
Contracted order book:	9.7 million euros

MOST SIGNIFICANT EVENTS 2014

1. Commissioning of the incineration plant in Lincolnshire (UK)

After signing the DBFO contract with the county of Lincolnshire for a period of 25 years for the treatment by incineration of the county's municipal waste, the plant was definitely implemented on March 5, 2014. This facility is capable of treating 150,000 tpa and generating 13.1 MWe, which represents over 103,000 MWh per year.

Incineration plant in Lincolnshire (United Kingdom).

2. Construction of the incinerator in Buckinghamshire (UK)

On April 17, 2013, a DBFO contract was signed with the county of Buckinghamshire for a period of 30 years. Work began in September 2013, and is progressing well, with the incinerator is expected to begin operations in the first quarter of 2016.

The plant will serve more than 478,000 inhabitants, has an incineration capacity of 300,000 tpa and will generate 24 MWe, representing an annual production of more than 187,000 MWh per year, enough to power 37,000 homes.

3. Construction of the incinerator in the counties of Herefordshire and Worcestershire by Mercia Waste Management, a 50% FCC subsidiary (UK)

In May 2014 the variation to the contract signed in 1998 with the counties of Herefordshire and Worcestershire for a period of 25 years to build a 200,000 tpa incinerator plant was signed. Construction work began in June 2014 and it is expected to have the plant operational by the first quarter of 2017. The plant will generate 20.6 MWe, which represents over 160,000 MWh per year.

MOST SIGNIFICANT CONTRACTS AWARDED IN THE YEAR 2014

1. UNITED KINGDOM

Treatment and disposal contract in Hull & East Riding

On January 10, 2014 a joint contract was signed with the City Councils of East Riding and Hull for a period of 10 years and with an order book of 155.4 million euros.

The contract includes treatment of 60,000 tpa of municipal waste, the management of 300,000 tpa by means of two transfer stations, and the management 13 recycling centres.

The population served is over 590,000 inhabitants.

Treatment and disposal contract of Wigan

In September 2014 a contract was signed for a period of 25 years with an order book of 279.1 million euros. The contract is for the mechanical treatment of 60,000 tpa of municipal waste, the production of fuel derived from waste, and the management of three recycling centres.

Contract for municipal waste collection in Herefordshire

Since 2009, FCC Environment Services has provided a municipal waste collection service in Herefordshire, which serves 183,600 inhabitants. This contract has been extended for a period of seven years and has an order book of 32.7 million euros.

Provisional award of a PPP contract with Edinburgh and Midlothia

In December 2014 the authorities of Edinburgh and Midlothian selected FCC Environment as the provisional contractor for the PPP contract for a period of 25 years. This contract includes the construction and operation of a 150,000 tpa waste incineration plant with power generation (CHP) of 13 MWe, representing more than 103,000 MWh per year.

The contract represents an order book of 729 million euros and will serve a population of over 575,000 people. It is expected that the contract will be signed in June 2015.

2. CENTRAL AND EASTERN EUROPE

Contract for the recovery of contaminated soil in Slovakia

On 29 September 2014 a contract with the Ministry of Environment in Slovakia for the treatment and recovery of soils contaminated by waste from old refineries was signed. This contract represents a turnover of 10 million euros.

Contract for municipal waste collection in Zabrze, Poland

Renewal of the contract for municipal waste collection and street cleaning with the city of Zabrze for a period of two years, representing a turnover of 8.5 million euros.

Zabrze, located 20 km from Katowice, has a population of over 173,000 inhabitants. FCC also operates a municipal waste treatment facility in this city for the entire region.

Waste collection and disposal contract in Dobrich, Bulgaria

In September 2014 a municipal collection contract was signed for a period of five years for the separate waste collection of recyclables and landfill elimination for the city of Dobrich.

3. PORTUGAL

Contract for municipal waste collection in Vilareal

In September 15, 2014 the municipal waste collection contract was renewed for a period of nine years. The order book amounts to 7.1 million euros and serves a population of over 52,000 inhabitants.

TECHNOLOGICAL INNOVATIONS

During the year 2014, research and development has continued to work on electric vehicles, especially in the field of optimising energy consumption, building on the experience contributed by the vehicles currently in service.

The electrical equipment currently in operation stands out for the energy saved in each service; up to 50% can be saved in comparison to equipment with heat engines. This fundamental aspect enhances the current system by incorporating a new technology consisting of a combination of an ultra-condenser and a battery, which is an innovative approach in the field of electric vehicles used for environmental activities. Also research continues on the improvement of energy efficiency in buildings and street furniture.

Collection and waste compacting vehicle with ultra-condenser technology

Having consolidated the use of electric and hybrid vehicles at FCC, with a fleet of over 325 units operating daily at different Group contractors, work is being carried out on a new collecting vehicle using ultra-condenser technology. It is scheduled to be developed in 2014-2015 and is included in the goal set by FCC in 2006, to develop a fully electric industrial vehicle for urban use.

In that year (2006), FCC developed the project called "Hybrid Electric KB-I", a diesel engine vehicle to collect waste only in town centres that are difficult to access (owing to size and reduced loading capacity). Due to the design and the technology available at the time, the batteries autonomy wasn't long enough to extrapolate the system to all vehicles; the diesel engine had to be used up to four times at the end of each route to recharge the battery.

In 2012 FCC set its sights on making a fully electric heavy vehicle. Two prototypes were developed capable of running in full electric mode during the entire city waste collection route, although the heat engine continued to be used in some stretches to recharge the battery. This consisted of range of large vehicles with a large loading capacity.

The main limitation of this vehicle was the high cost of the investment compared to the heat engine, mainly due to the battery required, both for power and energy reasons.

This project was undertaken with the goal of overcoming this limitation and obtaining the maximum optimisation of these kinds of vehicles.

The project represents an important technological innovation with funding from the Spanish government via CDTI, a body dependant on the Ministry of Economy and Competitiveness.

The general goals of the project are the design, development and validation of an innovative platform for a battery-free hybrid electric heavy vehicle, with an ultra-condenser system for urban services, for the entire range of vehicles necessary for FCC's activities, both in size and in maximum acceptable loads, and with the possibility of admitting any vehicle body suited to collecting urban solid waste, as well as any other urban service (sewage, street cleaning equipment, etc.).

On the other hand, the main technical goals to be developed by FCC are:

- Substantial reductions of hazardous emissions throughout all the activities, especially when the vehicle is at a standstill while collecting waste and when starting up the vehicle in urban areas (pure electric mode).
- Substantial reduction of noise pollution both in electric and hybrid mode (with a natural gas engine).
- Substantial energy saving compared to equivalent diesel or natural gas vehicles.
- Technology innovation to improve the quality and cost of the services.
- Maintaining the same loading capacity as current vehicles, legally increasing the maximum authorised weight of the proposed chassis.

In short, FCC is developing and adapting a newly designed ultra-condenser system with new technology that is specific for this application, making it possible to function in 'hybrid series' when moving around and in 'pure electric' (with the heat engine stopped) when compacting and starting up along an urban route, with enough power and energy to cover the whole waste collection route in the above conditions.

Energy Capturing Operating Efficiency (ECOE)

The project, called ECOE, aims to develop and carry out pilot testing of a new construction system and method for the energy management of buildings, capable of minimising both wiring and consumption needs, thanks to the ability to extract the necessary energy to operate from the excess energy available in the building itself.

The intention is to develop a system capable of interconnecting the network of sensors and actuators that operate on energy consumers (in this case, lighting and air-conditioning) with minimum wiring requirements, and also by harvesting the necessary energy for its operating needs from the surrounding environment (Energy Harvesting). This generates a dually efficient system. On the one hand the energy management of a building's resources is optimised and, on the other hand, a reduced consumption system is obtained that is capable of harvesting energy from alternative sources other than the electric power network.

The solution proposed is sufficiently flexible and adaptable to be used both in newly constructed buildings as well as in remodelling or refurbishing works, minimising installation costs and the ROI period.

Experimental development of the energy harvesting system for urban environments using state-of-the-art flexible organic photovoltaic technology (ENERCITY)

The ENERCITY project is a direct response to the present and future scenario, in which it is expected that smart cities will require street furniture to be equipped with new technologies (mostly information and communication technologies). These in turn, will need energy sources to meet the environmental challenge required by global energy demand.

The goal of the project stems from two premises, consisting of the development and integration of an organic photovoltaic panel in a street furniture object, with the purpose of supplying energy to a technology that contributes functionality in line with the 'smart city' concept.

Technological innovations in fixed facilities

To continue the momentum of recent years, 2014 saw the entry into service of the first machinery pool with the highest energy rating, "A".

Work has been done on the pool to improve the building's envelope to reduce its energy demand, trying to make the most of natural lighting.

An innovative HVAC system was designed which combines the harnessing of external weather conditions (sun and wind that affect the building), the most-efficient and least-power-consuming equipment in the market (water-to-water heat pumps and natural gas condensing boilers) to heat the various rooms in the depot, the distribution of heating and cooling using low-temperature and high-thermal-inertia systems and displacement ventilation, in order to ensure conditions of maximum comfort for personnel.

The maximum efficiency has been sought in the lighting installation, both in the offices and in the workshop, using LED technology and seeking efficiencies of at least 96 lm/W.

At the other facilities, equipment and technologies have been selected that make it possible to reach maximum energy efficiency, even though the conditions of use of the facilities may vary, for example using aerothermics for the production of DHS (domestic hot water) at smaller facilities (Tías, in Lanzarote); the savings that are obtained are similar to the use of solar thermal panels, regardless of the actual consumption, providing great flexibility while at the same time, maintaining a high efficiency level.

Energy efficiency is also being improved at other facilities by installing LED lighting, renewable energies (both biomass, photovoltaic and mini-wind farms) and redesigning thermal installations. Measurement and control systems are being introduced to facilitate the implementation of the Energy Management System under ISO 50001.

Vision projet

FCC Servicios Ciudadanos continues with its Vision Project ("Advanced Solution for the global management of all the processes in Environmental contracts: Vision Project") as part of its focus on technological innovations.

The solution implemented is based on the combination of hardware and software that can support the information system required by FCC Medio Ambiente and its services. From this, a tool will be available with centralised resources, that is secure in terms of access levels and data protection, and that offers a high level of service availability.

In 2014, the company went a step further and implemented new aspects:

- Module to optimise the service programming (allocation of personnel, machinery, frequencies, etc.).
- Integration of image recognition (number plates, despatch notes, etc.).
- Communication systems with town councils (Smart City).
- Systems for synchronising the platform with mobile devices.
- Publication of integrated data with geographical criteria.
- Module optimising the management of work in green areas.
- Mobile application for collaboration of citizens.
- Service quality indicator management.
- Integrated management of service documentation.
- Module for managing preventive and corrective maintenance.

The following milestones are scheduled for 2015:

- Management of the landfill data reporting cycle.
- Integration of the CAN-OPEN data communication system among chassis, vehicle bodies and tools, thereby unifying the systems.
- Data management to analyse efficient driving.
- Calculation of sustainability indicators and management of the carbon footprint.
- The platform will be updated to use the latest technology available.
- Integrated waste management module.
- Adaptation of Vision to the quality management system.
- Legal maintenance management module.

SUSTAINABILITY: PROGRESS AND RESULTS

The relevant event for the year 2014 was the publication of a sustainability report with a novel presentation format, and especially the announcement of a programme of priority actions and challenges that will drive FCC Medio Ambiente throughout the next two years, to promote and guarantee an efficient sustainable management of the services offered to clients within the framework of the green growth and low carbon economy model, with sights set on Horizon 2020.

To accompany this mutation, the organisation has developed a number of initiatives and has secured the tools which will enable it to:

- Have personnel with the best training and know-how of the environmental aspects of sustainability: eco-efficient personnel.
- Integrate the environmental aspects and their feedback effects in the operational management of services: integrated environmental management.
- Generate environmental information that is interesting and understandable for citizens and useful for general interest projects: involved citizens.

Eco-efficient personnel

Working groups have been set up to steer the development of the monitoring and calculation methods, allowing to integrate and account for the relevant aspects of sustainable environmental management, in the operational management of the services offered in the new public contracts for urban solid waste collection and treatment services, street cleaning, maintenance and upkeep of parks and gardens and street lighting.

Participants in these steering groups are from the production departments and from different regional offices. Departments from the central headquarters are also involved (studies, treatment and elimination, machinery, and management systems).

Participants will become promotors of a new management model in the field of efficient management of resources (energy, water, etc.) and to reduce greenhouse gas emissions in the local offices where they operate. Their mission is to take this model to stakeholders (collaborators, clients, associations, suppliers, etc.). This provides added value to the management of the services provided and better anticipates the novelties that are to be introduced in offers.

On the other hand, we must stress the integration of the sustainability policy principles of FCC Medio Ambiente in the Human Resources Training Plan programme. The training programmes given by third parties in the field of environmental sustainability (efficient management of resources, i.e. water and energy, calculation of the carbon footprint and KPIs, definition and development of best practices, etc.) will include a specific module designed and taught by FCC Medio Ambiente staff, that will allow the transfer and dissemination of the experience acquired by the organisation in these areas.

Last of all, within the framework of the new hires that is part of the reorganisation of the workforce, there will be a new definition of job functions, seeking new profiles such as that of environmental observer, environmental supervisor and environmental agent. The designated personnel will receive specific training on social and environmental sustainability aspects linked to the services provided, in order to guarantee that the sustainable management aspects committed by contract are fulfilled.

Integrated environmental management

Offer a new environmental consultancy service in public tenders

The SEEUS ® (System for Environmental Efficiency Evaluation of Urban Services) application, which is the software used for the IT development of the method for monitoring and calculating the intensity indicators (KPIs), will be the tool used by contract managers to establish the sustainable environmental performance in the services provided.

This will provide us with the energy performance, water and greenhouse gas emissions indicators, which will allow us to communicate to the parties concerned the results of the monitoring of the environmental efficiency of the services provided, as well as highlighting the "FCC brand" best practices that are fostered within the framework of a continuous improvement policy.

This new environmental consultancy service has been offered at tenders in Pamplona, El Ferrol, Vitoria and San Sebastian, and it has been implemented in San Marcos and Avila.

FCC Medio Ambiente has established and verified the value ranges of intensity indicators for urban solid waste collection services, street cleaning, and maintenance and upkeep of parks and gardens.

Registering the calculation of the organisation's carbon footprint

FCC Medio Ambiente is the first company in the industry to be entered into the Ministry of Agriculture, Food and the Environment's (MAGRAMA) Registry of the carbon footprint, compensation and CO_2 absorption projects.

The commitment acquired by the Organisation with MAGRAMA is that it will reduce the carbon footprint over the coming years. Therefore, in order to mark out our competitive difference, priority will be given to:

- Service offers including efficient environmental management.
- Promoting the latest technology advances supported by efficient management tools.
- The implementation of best practices and references from our own experience in the responsible use of resources and the reduction of greenhouse gas emissions.

FCC Medio Ambiente is prepared and has the capacity to accompany clients who ask us and help calculate the carbon footprint of municipal organisations; this has occurred with the regional area of Pamplona and with the L´Hospitalet de Llobregat City Council.

The award of Proyecto Clima (FES CO_2)

The FCC Medio Ambiente division has backed MAGRAMA'S Clima Project (FES CO_2) initiative, which was called in February 2014, thanks to the work developed in the field of calculation and monitoring of greenhouse gas emissions, that began in the year 2002 with the implementation of the EPER Registry (since 2008, the E-PRTR, European Pollutant Release and Transfer Registry). It also uses its know-how and expertise in the degasification of landfills and the recovery of biogas by experts in waste treatment and elimination.

Involved citizens

Connection to citizens, the third pillar of the corporate sustainability policy, is essential. This has been the great failed challenge of municipal authorities, who idealised the 'smart city' concept, basing it almost exclusively on the deployment of technological means (sensors and CITs), which owing to the lack of attractive contents has not managed to attract citizens or involve them in changing their behaviour model, where they would be the first to benefit.

In spite of the difficult beginnings with this concept, the Spanish Smart City Network (RECI), the Spanish Federation of Municipalities and Provinces (FEMP) and other public and private institutions continue to support the creation of new generation service platforms, the implementation of which will benefit from the financing from FEDER funds for 2014/2020, among other sources, insofar as the municipalities that are interested have prepared their sustainable development integrated strategy plan.

To this end, public and private sector collaboration will be fostered, along with a greater implication of private sector players operating public services. As one of these, FCC must be able to show the results of the efficient management of its services, the feedback of which will favour a more proactive and responsible behaviour because it directly benefits citizens' quality of life.

The dissemination of the environmental efficiency indicators on the services provided is a first stage in this direction that may help to convey to citizens, tangible, specific and easily understandable information on the incidence of the measures promoted by the city council to contribute to the sustainable development of the city. The experience shared with some of our clients, such as the city councils of Avila, Oviedo and San Marcos, as well as the regional area of Pamplona, confirms this.

On the other hand, in their forecasts and planning of general interest actions to adapt to climate change or urban resilience, cities in the medium term will need to integrate the KPIs that are the reference points of our actions, in the evaluation and control systems shared by European and international networks of cities.

QUALITY, PREVENTION OF OCCUPATIONAL RISKS AND TRAINING

Quality and Environmental Management

Documentation of the management system

Since FCC's main activity is the provision of certain urban sanitation services, the Company's concern is always about their meeting the needs or requirements set by clients, in addition to the legal and regulatory requirements that affect the activities developed and in particular, those referred to the interaction with the environment and energy efficiency. To this end, the Environmental area implemented a management system based on the UNE-EN ISO 9001: 2008, UNE-EN ISO 14001: 2004, UNE-EN ISO 50001: 2011, UNE 187004: 2008 standards and the 1221/2009 EMAS III regulation, through which the environmental and energy performance and the quality of the Organisation will be managed, to provide the services in a satisfactory manner for clients and to create the internal confidence to ensure that what is developed is in keeping with what is established in the rules and internal documentation.

During 2014 there were not any substantial changes in the management system, although some procedures have been included, linked to the management of sustainable initiatives, to the preparation of sustainability reports and to the development of the approach towards new certifications during the year: energy services and integrated management of the municipal electricity facilities.

Certification of the management system

Regarding the annual certification process:

- The external audit of part of the Environmental area's management system based on the UNE-EN ISO 9001: 2008 and UNE-EN ISO 14001: 2004 standards was performed by AENOR between 21 April and 14 May 2014. During this period, AENOR audited five of the Central Services Departments and various contracts at nine branch offices. In Central Services, audits were carried out of management, quality management and environmental management, procurement, machinery and design processes as well as training, legal requirements and compliance assessment processes. In contracts at branch offices, audits were conducted of operational and service delivery processes, as well as of the operational control and the monitoring and measurement of environmental aspects.

  In this process, new companies have been incorporated to the certification under the two standards and others have been removed because of lack of activity. During the year 2014 the following certificates were in force:

  - FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
  - FCC MEDIO AMBIENTE, S.A.
  - ALFONSO BENÍTEZ, S.A.
  - SERVICIOS DE LEVANTE, S.A.
  - SERVICIOS ESPECIALES DE LIMPIEZA, S.A.
  - VIGO RECICLA, UTE.
  - UTE MELILLA.
  - ECOPARQUE MANCOMUNIDAD DEL ESTE, S.A.
  - EMPRESA COMARCAL DE SERVICIOS MEDIOAMBIENTALES DEL BAIX PENEDÉS, S.L. (ECOBP).
  - SERVEIS MUNICIPALS DE NETEJA DE GIRONA, S.A.
  - SOCIETAT MUNICIPAL MEDIAMBIENTAL D'IGUALADA, S.L.

  Regarding the external audit of part of the Environmental area's management system that is based on the UNE-EN ISO 50001 standard: in 2011, between 11 and 13 June 2014, an audit was carried out of the peninsular contracts of the city of Barcelona city and the Balearic Islands regional offices, and the certificate for the company remains in force for the year 2014:

  - FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

- The external audit performed on 12 and 13 May 2014 of part of the management system in relation to the ISO 14001 and Tourist Q Certificates (according to the requirements of the UNE 187004 standard) of Palacio de Exposiciones y Congresos de Granada, S.A., and during 2014, the ES11/10261 and 00861/13 certificates, respectively, remain in force.

- The external validation process of the environmental declarations during May and June 2014 has led to maintaining the EMAS registers of the following regional offices. It should be stated in this regard that for 2013 those corresponding to the Madrid regional office were removed because the contracts covering the declaration were no longer in force, and the declaration registry of the Levante II regional office was suspended.
    - Barcelona, capital city (ES-CAT 000280) file 1994/0241/VM/02), in the name of Fomento de Construcciones y Contratas S.A.
    - Catalunya I (ES-CAT 000315) file 1994/0241/VM/03, in the name of Fomento de Construcciones y Contratas S.A. for the contract for the Collection of Municipal Waste, Sewage Cleaning and Street Cleaning of Urban Refuse Collection in L'HOSPITALET DE LLOBREGAT.
    - Madrid (ES-MD-000147) file 1994/0241/VM/01), in the name of Fomento de Construcciones y Contratas, S.A.
    - Catalunya II (ES-CAT-000415), in the name of Fomento de Construcciones y Contratas S.A. for the Reus Urban Refuse Collection and Street Cleaning contract.

Certification of other Quality and Environmental management systems

- In April 2014 an external audit was performed of the management system of the company Sistemas y Vehículos de Alta Tecnología, S.A. (SVAT) based on the UNE-EN ISO 9001: 2008 standard and UNE-EN ISO 14001: 2004, and the ER-0782/1997 and ES034080 certificates remain in force during the year 2014. For 2015 there are plans to include the SVAT management system requirements within the documentation of the general management system of the FCC Medio Ambiente area.

- During 2014 a management system has been developed in the Guipuzcoa-Navarre regional office linked to the use of euskera, the Basque language, audited externally in September and October 2014, obtaining the Bikian black certificate for the company:
    - FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Occupational health and safety system management

FCC Media Ambiente's Joint Prevention Service, which was established on 23 March 2011, has been consolidated. It currently groups together 65 companies and has 37 full-time technicians plus 13 coordinators per branch office.

During the year 2014, the Occupational Health and Safety Management System of the 65 companies included in the SPM FCC Medio Ambiente (ES14/16003) was renewed through SGS, as required by the OHSAS 18001:2007 specification.

- Regulatory (legal) audits of the following companies have been performed:
    - EMPRESA MIXTA DE LIMPIEZA DE LA VILLA DE TORROX, S.A. (C-M-141014).
    - EMPRESA MIXTA MA RINCÓN DE LA VICTORIA, S.A. (C-M-141015).
    - LHICARSA (C-M-141023).
    - SERVEIS MUNICIPALS DE NETEJA DE GIRONA, S.A. (C-M-141219).
    - UTE SANEJAMENT MANRESA (C-M-141225).
    - SELESA (C-M-141111).
    - UTE ABSA-PERICA II (C-M-141213).
    - UTE ERETZA (C-M-141211).
    - UTE JUNDIZ II (C-M-141212).
    - UTE JARDINES TELDE (C-M-141114).
    - UTE RBU-LV ALCOY (C-M-141112).
    - UTE TORREJÓN (C-M-141024).
    - UTE CONTENEDORES MADRID (C-M-141016).
    - CONTENEDORES MADRID UTE 2 (C-M-141232).
    - UTE MADRID ZONA 5 (C-M-141113).
    - UTE MADRID ZONA 6 (C-M-141017).
    - ECOMESA (C-M-141110).
    - UTE TXINGUDIKO GARBIKETA (C-M-141218).

- The "AENOR Certificate No. ES-2015/0001" was obtained, according to the "Healthy Company Model", at the Aragon-La Rioja and Soria branch office, while maintaining the prior certification for the Catalunya II branch office: "AENOR Certificate No. ES-2013/002".

- Automation of the risk evaluation procedures and of the hygiene and ergonomics reports.
- Implementation of the cost of accidents calculation in the VISION tool.
- Presentation of FCC Medio Ambiente's Road Safety Strategic Plan for 2015-2018. It contains the guidelines that FCC Medio Ambiente must follow to reduce the number of road accidents and their severity.
- Continuation of the development of the IT tool for the management of the various occupational risk prevention modules, with the development of several specific reports.

Training

FCC Medio Ambiente's 2014 Training Plan consisted of 695 training activities in total. These are specific activities and they are always designed according to the current business strategy, as well as taking into account the estimated future development needs via new projects.

The contents of this document comply with article 15 of Royal Decree 395/2007, of 23 March, and applicable related regulations, regulating the sub-system of vocational training for employment, the minimum contents being:

a) Name, objectives and description of the activities that will be developed.
b) Target groups and number of participants per activity.
c) Scheduled execution calendar.
d) Teaching means.
e) Participant selection criteria.
f) Venue provided for the training activities.

Given the variety of groups in this business area, there are activities catering to all the different types of profiles. Notwithstanding other possible classifications, there are 5 major employee groups:

- Managers
- Middle management
- Technical staff
- Skilled workers
- Unskilled workers

The purpose of the Training Plan is to improve, strengthen and/or extend employee know-how and make this have a positive effect on the functioning and results of the company. In this regard, training is a fundamental tool to support the business, the growth and the development of each one of our professionals, as well as of the Organisation itself.

Regarding the prevention of occupational hazards, actions are developed according to law, royal decree or preventive rules that apply to the activity dealt with in the course (risks related to working at heights, handling machinery, driving, etc.), always seeking high standards for requirements and quality.

Within the group, in total 72 business entities are managed, which in the aggregate employ an annual average of 31,994 individuals. It should be noted that 10 of these companies have an average headcount of over 250. The other companies range from an average of 193 to 3 employees.

As far as subsidised training activities, the following data are the most relevant:

- Training activities executed: 212 (if considering the different groups organised for each of these training activities, the total would be 1,403 training activities).
- Trained employees: 10,269.
- Priority groups reached in 97% of the companies.
- Private contribution achieved in 97% of the cases.

Credit consumption in 2014 totalled 58.14%, slightly lower than in previous years. This can be explained by the adoption of a new integrated management partner (subsided and teaching) for the training at the end of the previous year and the slow transfer of all the tasks.

This year Human Resources managers have had specific training distributed across five modules, with topics such as:

- Legislation. Case Law.
- Use of the Incorpora / SAP application.
- Cost planning and control.
- Recruiting and selection. Job interviews and other selection methods.
- Remuneration policy and job assessment.

21 participants in total obtained the attendance and achievement diploma for all the modules, with a total number of 40 classroom hours and another 42 hours of distance training.

As a pilot experience, several courses were executed focusing on energy efficiency, with the goal of increasing and reinforcing knowledge on energy and energy consumption prospects.

The following courses were taught:

- Auditing of the ISO 50001 energy management system, with 14 classroom hours and training provided to 29 participants divided into two groups.
- Energy efficiency of buildings, with 6 classroom hours + 4 hours of e-learning. Training was given to a total of 15 participants.
- Energy saving and efficiency measures, with 14 classroom hours and training provided to a total of 26 participants.

During the following year the latter project will remain under development, because it is considered fundamental for the business, incorporating training activities such as energy audits, calculating and managing the carbon footprint, course on the Technical Building Code (CTE) and energy certification of buildings, etc.

FCC ÁMBITO

SECTOR ANALYSIS

FCC Ámbito operates in the sector of industrial waste treatment and recovery of by-products, positioning itself as a benchmark company for the circular economy. Its customer is preferably private and linked to industrial activity.

ACTIVITY OF FCC ÁMBITO

In 2014 the company managed to maintain the trend of the previous year and the volume of waste and by-products received at the FCC Ámbito facilities in Spain and Portugal stabilised.

Throughout this year there has been a significant increase in waste received at the non-hazardous landfill site belonging to the subsidiary IACAN in Cantabria, whose facility has a total capacity of 8 million m^3, strengthening treatment capacity and expanding the services FCC Ámbito offered to the industry.

In the same vein, during 2014, the waste treatment plant in Getafe (Madrid) began its expansion to adapt to the new reality of waste production in the area. Initially conceived as an industrial waste transfer/blending facility for energy recovery, along with the expansion, equipment has been installed for the treatment of another kind of liquid waste. The treatment capacity of waste with high organic load, whose production is very important throughout its sphere of influence, has increased to 50,000 t/year. With this expansion the services offered by FCC Ámbito in the central area have been enhanced, and is another step in the strategic reduction line of the transfer centres and a commitment has been made to higher added-value, such as the final treatment facilities.

During 2014 the inertization and stabilization lines of the Aldeanueva de Ebro plant have also been renewed, adapting one line for the treatment of mercurial waste, with the implementation of the most stringent security measures. Improvements in this facility are completed by optimising the treatment of effluents generated in the evaporation line by means of biological processes.

Starting this year, FCC Ámbito will have a second hydrocarbon waste treatment facility registered in the Special Taxes Land Registry, which will enable it to carry out activities related to the production and sales of hydrocarbons.

Furthermore, thanks to its extensive network, FCC Ámbito remains the leading manager for companies that have waste production centres spread throughout the country, and who want to simplify management and save costs by hiring one single manager. During 2014 the company was awarded the integrated waste management contract for all Renault factories in Spain.

With regard to glass management activities, the collection and management contract has been renewed for 5 year in the provinces of Valencia and Castellón, as well as winning tenders for collection and management in the regions of Aragón and La Rioja.

Moreover, in the sector of soil decontamination, the contract awarded by the Government of Aragón was performed for the remediation of the old lindane waste repository (toxic and persistent organochlorinate pesticide) located in Sabiñánigo, and its transfer to a new disposal cell. The work has required the extraction and processing of more than 350,000 tonnes of pesticide residue. The work began in the last quarter of 2013 and lasted until the fourth quarter of 2014.

This project, along with the removal and treatment of sludge deposited in the Flix reservoir, constitutes the two major works that have been tendered as public works in the sector of soil remediation in recent years, and places FCC Ámbito as leader in this sector.

With respect to the Flix works, in 2014 a total of 358,056 tonnes of sediment have been extracted and treated. The extraction is planned to continue until the end of 2015.

In the US, following the sale of the business to collect and recycle oily waste, the remaining activities have been focused on the subsidiary FCC Environmental Services, that after its restructuring, was awarded the contract for biosolid waste management in the city of Houston.

Regarding Portugal, the new operations concerning environmental liabilities awarded to the subsidiary ECODEAL have meant the entry of a significant amount of waste, allowing the company to maintain its good results for another year.

INNOVATION IN FCC ÁMBITO

Regarding the R+D+i activities, work has continued on the RECO2VAL project, the objective of which is to use waste with a high calcium content to capture the CO_2 emitted in fertilizer manufacturing facilities. Work has also continued on the CEMESMER project, focusing on developing a new range of cements that will allow the effective stabilization of mercury present as a contaminant in soil and water.

Within the commitment to the circular economy it is important to highlight the development project for recycled glass applications as a material for building elements with high added value. Satisfactory results have been achieved and some of these materials are used in the manufacture of kitchen worktops, both at home and abroad.


Ávila Wastewater Treatment Plant (Spain).

08

WATER MANAGEMENT

FCC AQUALIA MANAGEMENT REPORT
FINANCIAL YEAR 2014

FCC Aqualia

SECTOR ANALYSIS

During the year 2014 the Water Management sector continued to play an especially relevant part in the agenda of governments and local authorities, who acknowledge the strategic importance of a scarce asset such as water. The exponential increase of human population and the concentration in large cities, the expansion of industrial and farming activity, as well as greater awareness of the possible risks attached to climate change, are leading a number of countries to embark on modernisation plans, involving both their hydraulic infrastructures and the systems for operating and managing them, with the fundamental goal of increasing their efficiency and capacity. In this general framework, at an international level the business opportunities for companies specialising in the integrated management of the water cycle will surely be greater, although the participation models may be different to the currently typical ones.

Private sector contribution to achieve universal access to water, established as one of the United Nations Millennium Development Goals, is likely to be important not only because of the technology and management capacity but also because of its capacity to attract funds for the development of new infrastructures and the maintenance of existing ones. This goal, according to the definition given by the UN, makes it obligatory for governments to seek solutions to provide all inhabitants access to water, and these solutions should contribute to the economic maintenance of the service according to the conditions set by each country.

In recent years, the Public Administrations responsible for water management have reduced their preference for concessional integrated water cycle management models, seeking instead public and private participation models in a BOT (build, operate and transfer) regime for the construction of new infrastructures. In countries with sufficient budgetary capacity, new infrastructures continue to be built by way of construction contracts, as well as generating new methods for contracting operation and maintenance services according to the specific characteristics of each Public Administration.

There are not many companies competing domestically and abroad, therefore public tenders, whether for operation and maintenance services or for BOT or concessions, hardly ever have more than five bidders. The high integration of FCC Aqualia's services offering, enable the company to adapt to the different contracting models imposed by Public Administrations. Its position as the world's sixth largest operator and the third among private capital enterprises, according to the GWI rankings, enables it to compete on equal terms in any international tender, in a market that is still led by the two large French operators.

Ultrafiltration membrane bioreactor (MBR).

Besides having the Public Administration as a principal client, private industrial companies, especially in the mining, oil and gas sectors, are becoming established as important potential clients for water operating companies, especially for those with the technological capacity to tackle the complex treatment required by the waters used in production processes.

DOMESTIC MARKET

For the first time since the onset of the economic crisis, in 2014 there was a stabilisation of water sale volumes, which had been declining steadily in previous years.

This change of pattern, however, was accompanied throughout the year by strong social campaigns against the privatisation of public water management services. Thus, contracts awarded for Alcazar de San Juan (Ciudad Real) and El Puerto de Santa María (Cadiz) were finally secured by FCC Aqualia, but not without the significant opposition of certain sectors of public opinion.

Furthermore, none of the Administrations (central government, autonomous communities, municipal governments) are putting out tenders for hydraulic infrastructure investment projects, which added to the current pre-election period means that 2014 was not a year of significant tenders on a domestic level. Accordingly, in 2015 there will be even fewer public tenders. On the other hand, the central government initiatives to establish an agile, efficient regulatory framework for this sector should be noted. The Ministry of Agriculture, Food and the Environment submitted a preliminary draft of the Water Sector Bill to all the parties involved so that they may analyse it. Meanwhile, the De-indexation of the Economy Act is following the parliamentary procedures and Parliament is dealing with the Bill to amend the Public Administration Contracts Act, which will have a bearing on the sector in terms of the solvency required of bidders and the non-requirement of classification for service contracts.

It is expected that these regulatory measures will boost the private management of water in Spain; it is an activity with increasingly higher technology levels, together with excellent service quality, geared to ensuring the supply of clean, healthy water for human consumption, thus protecting people's health. This was recently acknowledged by the [Spanish] Consumer and User Organisation (OCU), which at the end of 2014 published an independent study on the quality of tap water in 62 towns in Spain, nine of which were managed by FCC Aqualia. In its report, the OCU said the water that was supplied was 'Very good' and 'Good'.

INTERNATIONAL MARKET

Internationally, FCC Aqualia focuses its sales activity in Europe, Northern Africa, the Middle East, India, North America and Latin America, and it currently has ongoing contracts in Portugal, Italy, Czech Republic, Serbia, Bosnia, Montenegro, Kosovo, Poland, Algeria, Tunisia, Egypt, Saudi Arabia, Abu Dhabi, Qatar, India, Mexico, Uruguay and Chile.

In 2014 the new EU directives on public contracts were published, which especially stress the award of concession contracts to entities operating in the water sector, the contents of which must be transposed to national law by March 2016. On the other hand, a popular initiative called Right2Water reached the European Parliament, which calls for public ownership of water management.

Up until now the decisions passed by EU bodies do not affect the participation capacity of private enterprises in water management, delegating to the Member States the decision to choose the water management formulas that are best suited to their specific needs. In any event, the situation to change the general regulatory framework is causing difficulties, perhaps only circumstantial ones, to increase municipal service concession contracts, where works contracts or operation and maintenance services are customary.

In Italy, the recent modification of the regulatory framework, due to the appearance of a new national regulator, may generate in the near future new and interesting public-private collaboration opportunities with the Local and Regional Administrations.

In Portugal, the application of the EU recommendations associated to the economic recovery plan may give rise to privatisation operations involving the state water company which, considering FCC Aqualia's extensive experience in the Portuguese market, may represent important growth possibilities over the coming months.

In Northern Africa the most usual business opportunities in the future will be public-private BOT (build, operate and transfer) participation contracts for the construction of large water processing infrastructures, with operating periods lasting around fifteen years. The performance of the existing contracts in Algeria and Egypt, in spite of the Arab spring, encourages the view that these are stable markets from a contractual viewpoint.

In the Middle East, with population growths of up to 8% per year in some countries and with rising living standards and service quality, a number of important hydraulic infrastructure projects have been announced that will progress slowly and, at least in the near term, restrictions are not expected in connection with the decline in the price of oil. In this market there will also be operation and maintenance service contracts which, with the experience from the contracts developed in Saudi Arabia and Abu Dhabi, shall represent good business opportunities such as the recent one awarded in Qatar.

In India the regional governments have established the priority objective of improving water supply and sanitation, largely boosting infrastructure construction and operation contracts that guarantee continuous supply. FCC Aqualia, together with an important local partner, has secured two of these contracts, allowing it to create a platform to get a better understanding of the country and tackle much larger projects.

In North America, FCC Aqualia intends to consolidate the Mexican market, where it already has significant activity. The Public Administration in Mexico is going to start a programme for the improvement of municipal water supplies, and this will surely enable the company to increase its turnover. On the other hand, FCC Aqualia is opening up a commercial office in the United States to spearhead its entry into a market where some states have the same problems as Spain: obsolete infrastructures, periods of drought, debt-ridden municipal administrations without financing capacity and high environmental demands.

Last of all, in Latin America the growth opportunities for FCC Aqualia have multiplied significantly since FCC left the capital of Proactiva, where the other partner was the French operator Veolia. In the short term, Peru and Chile are the countries offering the best possibilities, and there are also some infrastructure programmes in Paraguay and Panama that are being closely monitored. In the latter market, together with the opportunities detected in Mexico for PEMEX, the oil company, there are particularly interesting contracts for the construction and operation of water processing plants for mining and oil & gas companies.

FCC AQUALIA'S ACTIVITY

During the year 2014, FCC Aqualia's contracting volume totalled 770.8 million euros, reaching a record portfolio of 15,113.8 million euros in December, representing a 1.7% increase for the same period in 2013.

In the domestic market, the most significant new integrated management contracts awarded were the following:

- Alcázar de San Juan (Ciudad Real), for a 25-year period and a contract volume of 122.1 million euros, awarded to the joint venture Aguas de Alcázar, in which FCC Aqualia holds 52.38%
- La Línea de la Concepción (Cadiz), for a term of 12 years and a contract volume of 58.8 million euros, awarded to Empresa Gestora de Aguas Linenses, fully owned by FCC Aqualia
- El Puerto de Santa María (Cadiz), for a 25-year period and a contract volume of 382.9 million euros, awarded to the joint venture APEMSA, in which FCC Aqualia holds 48.98%. The consolidated contracting volume is 15 million euros.
- Ubrique (Cadiz), for a 25-year period and a contract volume of 22.6 million euros, awarded to the joint venture Aguas de Ubrique, in which FCC Aqualia holds 49%, and the management has been subcontracted to FCC Aqualia.

Furthermore, FCC Aqualia, in a Joint Venture where it has a 22.8% holding, was awarded the contract for batch 3 of the Integrated Energy Management of the urban facilities of the City of Madrid, for a period of eight years, representing a contract volume of 48.3 million euros.

Also, after buying an additional 12.5% of Aguas de Alcalá, FCC Aqualia now owns 50% of this Joint Venture, the same percentage held by Canal de Isabel II. This acquisition represents an increase of 28.2 million euros in its portfolio, considering that this Joint Venture still has 15 years of contract left.

In terms of renewals and extensions in the domestic market, the following should be noted: Salamanca, for a five year period and amounting to 95.7 million euros; San Juan del Puerto (Huelva), for a 25-year period and amounting to 32.5 million euros; Candelaria (Tenerife), amounting to 32.2 million euros over a 10-year contract; Callosa de Segura (Alicante), twelve years and 18.6 million euros contracted; and Cortegana (Huelva), for an additional 25 years and a contract volume of 16.4 million euros.

In the international market, FCC Aqualia was able to increase its portfolio of countries, mainly through the award of new design and construction contracts.

In the European market there have been a number of recent awards in the Balkans region, both for the design and construction of the DWTP (Drinking Water Treatment Plant) of Vrsac (Serbia), amounting to 6.9 million euros, and the design and construction of the WWTP (Waste Water Treatment Plant) of Prizren (Kosovo), amounting to 10.4 million euros. These contracts are a gateway to much larger contracts in the future, setting FCC Aqualia in a good position for forthcoming tenders.

In Northern Africa, FCC Aqualia continues growing after the award of its first contract in Tunisia, for the construction of a Desalination Plant in Djerba, amounting to 31.2 million euros.

Likewise, the company continues to consolidate its presence in the Middle East after entering Qatar with the award of the contract for the construction and operation of the WWTP in Al Dhakira, through the affiliate Aqualia MACE and in a consortium with the South Korean Hyundai group, in a contract totalling 300 million euros.

The company was awarded its first two service contracts in India, in the state of Karnataka: the first one in Bidar and Vasvalyakan; the second one in Bellary, Raichur and Hospet. The two contracts combined mean that the company will manage the water supply for over one million in habitants. These contracts represent the entry into a large market where access is very difficult.

In addition, FCC Aqualia has opened a commercial office in the United States, a market offering excellent opportunities in which the company is scheduled to secure new contracts in the short and medium term. To this end, the necessary legal procedures have been commenced for the incorporation of a company in the state of Delaware, with an authorised capital of USD 4.9 million. Accordingly, in order for it to be the holder of the shares in the new company, the corporate purpose and the company name have been changed. The group company formerly called Abastecimientos y Saneamientos del Norte, S.A. was renamed as FCC Aqualia América S.A.

In Latin America, the group secured its first contract in Chile, with the award of the construction of the WWTP in Cadellada, amounting to 12.7 million euros. Also, in Mexico, a country where the company is well-established, it secured the contracts for the construction of the aqueduct and electric facilities of Minera Peñasquito, in the state of Zacatecas, totalling 21.3 million euros, and for PEMEX, in this case for the modernisation and rehabilitation of the water entry from the River Mezcalapa, in Tabasco, amounting to 12.8 million euros. With these awards FCC Aqualia strengthened its position as one of the main private enterprises dedicated to water management in the Latin American mining industry, which also benefited from its participation, via Aqualia Infraestructuras, in the fourth edition of Desal 2014, the 4th Latin American Congress on Desalination and Water Reuse, held in Santiago de Chile in October, as well as in the 28th Edition of ANEAS, held in November in Merida (Mexico).

Vigo Wastewater Treatment Plant (Spain).

Last of all, besides direct awards, the company also considers the option of growing internationally through purchases. In this respect, at year-end a non-binding offer to buy the company GS INIMA was made. This company is present in Spain, Mexico, USA, Brazil and Algeria; all of these countries are located in FCC Aqualia's international development zone.

SUSTAINABLE MANAGEMENT INITIATIVES

Energy efficiency has been one of the salient themes in the sector in 2014, because the UN dedicated the World Water Day to the water-energy binomial.

By calculating its carbon footprint in 2013 in Lerida, FCC Aqualia became the first Spanish company to calculate and certify through AENOR its carbon footprint in a water service. In 2014 the company went one step further in terms of research on how economic development has a bearing on water resources. Thus, in April, FCC Aqualia and the Botín Foundation signed an agreement to study the water footprint in Cantabria.

This study will show the impact of water consumption included in the goods and services produced and exchanged by Cantabria, a region in which the company has a dominant presence thanks to its activity as integrated water cycle manager.

This study is a pioneering initiative, being the first calculation of the water footprint in Spain, thanks to the collaboration between entities such as the Botín Foundation's Water Observatory and FCC Aqualia.

Regarding energy efficiency, during the year 2014 the certifications in this field were extended to new facilities such as the water treatment plant in Aranda de Duero (Burgos) and the Santi Cazorla Sports Centre in Llanera (Asturias). Also, as a supplement to the calculation of the carbon footprint, the service in Lerida was certified in this field, being the first such service to reach this distinction.

Also, in terms of energy efficiency, during the year state-of-the-art systems have been implemented for the optimisation of energy consumption in WWTPs (Waste Water Treatment Plants). Thus a novel system was installed in the plants in Medina del Campo (Valladolid) and Reinosa (Cantabria), developed by the University of the Basque Country in collaboration with FCC Aqualia, for the automatic control of airing, and in the Lerida WWTP, a smart management system was installed for the entire water treatment process. Depending on the results, the suitability of implementing the system in the rest of the WWTPs managed by FCC Aqualia will be considered.

FCC Aqualia issued the eighth edition of its CSR report in 2014. This document makes the company one of the first organisations to win the Materiality Matters seal, because the report was prepared and verified according to the G4 guidelines of the Global Reporting Initiative (GRI). The report, which is issued in Spanish, English and Portuguese, is articulated around five subjects: company, clients, employees, environment and society.

Furthermore, the Company held the twelfth edition of the International Children's Contest, open to students of 3rd and 4th grade of elementary education in the towns where it provides services in Spain and Portugal. With the motto "Water needs heroes like you," the contest sought to foster a reflection on the importance of using water responsibly and efficiently.

On this occasion the contest incorporated the novelty of using the Internet to develop the contest, benefiting from the advantages of new technologies and optimising the resources used for this action. The contest had over 30,000 hits and one million pages viewed on its microsite. The contents, available in Spanish, Portuguese, Catalan and Galician, was disseminated over 3,000 times on social media generating over 300,000 positive impacts, given the educational and entertaining nature of the event.

Guillarei Wastewater Treatment Plant in Tui (Spain).

INNOVATION AT FCC AQUALIA

Innovation was developed at FCC Aqualia during the year 2014 in the areas of Sustainability, Quality and Smart Management included in the strategic planning. This year saw the completion of five projects named Cenit VIDA, ITACA, IISIS, SMARTIC and ALEGRIA, with the following results:

1. Around the middle of the year the Cenit VIDA (Integrated Valuation of Algae) project ended. The consortium developing it, made up by 13 companies and 25 research bodies, was co-financed by the CDTI (Centre for Technological and Industrial Development) via the "National Strategic Consortia for Technical Research" programme. The project tasks have made it possible to shift the paradigm in water purifying and facilitated the development of five All-Gas related bioenergy projects.

2. The ITACA project, included in the Sustainability area, has delved deeper seeking new approaches for the use of waste water as a resource, in the search for energy consumption and emissions reductions and in the exploration of alternative technologies. ITACA was developed as part of the INNPRONTA programme, financed by CDTI and also co-financed by FEDER Funds.

   FCC Aqualia's involvement focused on the research of new water purifying technologies which will allow the transformation, in the future, of water treatment processes into self-sustainable systems in energy terms, taking advantage of by-products and improving the quality of purified water so that it may be reused.

3. IISIS (Integrated Research on Sustainable Islands) is one of the leading initiatives of the Company's Smart Management area. The project, led by FCC S.A., featured the active involvement of FCC Aqualia, at the head of the 'Water and the Environment' and 'Integration' tasks. Also, besides the contribution of 22 universities and research centres as well as four companies, FCC Construcción and Cementos Portland Valderrivas are present, making this research an example of synergies and collaboration within FCC Group.

   The work carried out under IISIS and the progress achieved have helped to secure a new European project in 2014: the FP7 Urban Water.

   The main results of the project are energy savings, savings in sludge production, improvements in operation, leak detection and several software developments. Direct investment of the project in infrastructures managed by FCC Aqualia totalled 700,000 euros.

4. The SMARTIC (Water Monitoring System with Real-Time Smart Technology) project has worked on controlling water quality at the source and when it leaves the DWTP, designing and building several automation systems capable of performing tests that currently have to be done at a laboratory.

   The project has been supported by the FEDER INNTERCONECTA Extremadura programme. This body supports the project by providing 40% of the financing required.

   After work was completed there have been cost savings in the operation of the DWTP, together with an increase of quality, thanks to the fact that the operation can be adjusted according to the characteristics of the raw water used.

5. ALEGRIA (Algae and Energy to recover waste from the Galician agrifoods industry) project. This project, supported by the Feder-Innterconecta programme, has studied the recovery of industrial effluents.

   By combining FCC Aqualia's various ongoing developments (the anaerobia digestion process, with membrane bioreactors, and the cultivation of microalgae for the recovery thereof), the Company is looking for bioenergy and value products. This novel combination could replace the conventional technologies used in industrial WWTPs, leading to cost savings in the operating costs, which currently total 4 euros per cubic metre, with the goal of improving the competitiveness and sustainability of the agrifoods industry.

In the year 2014 development continued on six more multiannual research projects, which will continue to be executed during the following year. The sustainability area has a number of ongoing projects such as All-Gas (microalgae for purifying waste water) and Downstream (improvement of the recovery of biomass). In the quality area, work continues on projects such as Remembrane (reuse of reverse osmosis membranes) and Innova Cantabria (compact purifying facility for waste water from small towns). And in the smart management area, the Smart Water-Smart Citizens project develops its tasks integrated within the Smart Santander initiative promoted by the Santander City Council.

During 2014 FCC Aqualia started seven new projects called Renovagas, Regenera, FP7 Urban Water, Water JPI Motrem, Life Memory, Life Biosolware, and Life CleanWater. The last three projects are included in the Life 2013 programme, where out of 961 proposals only 125 projects were finally accepted. The scope of the various projects is as follows:

1. Renovagas "Renewable Natural Gas Generation Project", a project financed by the Ministry of the Economy and Competitiveness (MINECO). The goal is to develop a plant for the production of synthetic natural gas using biogas, from the methanation of hydrogen obtained from renewable sources.

   The project is led by Enagás and, besides FCC Aqualia, the other parties involved are CHN2, Abengoa Hidrógeno, Gas Natural, SDG, Tecnalia and the CSIC (Spanish Centre for Scientific Research).

2. Regenera, which has the goal of developing a waste water purifying system by cultivating microalgae and using the biomass generated as the raw material for the production of biofertilisers. The research team comprises Aqualia Infraestructuras, Biorizon, the University of Almeria and the Cajamar Foundation.

3. The Life Memory project intends to prove, at an industrial prototype scale, the technical and economic feasibility of an innovative technology, an Anaerobian Membrane Biorreactor (SAnMBR), as an alternative to traditional treatment processes. This technology enables the conversion of the organic matter contained in waste water into biogas, which can be used at WWTPs to generate energy in the form of heat and electricity. The potential benefits of the project are: reduction of energy consumption by up to 70% and of CO_2 emissions by up to 80%, 25% less space requirements than a conventional Aerobic WWTP, the reduction of sludge by around 50%, and the implementation of a protocol for the design and operation of plants based on this technology.

4. Life Biosolware (Biosolar water reuse and energy recovery), led by the French SME Heliopur, with a total budget of 2.3 million euros. This research seeks to prove a new waste water treatment based on a biological and solar purifying technology (BSP). This process allows 80% of the water to be reused, together with the recovery of gases and organic waste.

5. CIP Cleanwater (Ecoproduction of HCLO for safe water disinfection by innovative ion exchange membrane) is a result of the Eco-innovation 2013 tender, where 59 projects were selected from among the 461 proposals submitted. Led by the French SME Ceramhyd, with a total budget of 1.6 million euros, it seeks to prove a new water disinfection technology through three applications: drinking water, desalination and reuse of water.

6. FP7 Urban Water. This project is backed by European funds (it is included in the 7th Framework Programme or FP7) and is made up by eleven partners from seven different countries. It will develop and validate an innovative platform based on information and communication technologies (ICT) that will improve the integrated water management in urban areas, which account for 17% of water consumption in Europe.

   The project, lasting three years and amounting to nearly 5 million euros, is focused on developing new solutions for the prediction of water demand and the interpretation of consumption for better water management efficiency, with innovative modules to estimate water availability and supply, the improvement of billing systems and real-time data management, leak detection and decision-making, among other solutions.

7. Water JPI Motrem. The Motrem project seeks to contribute new technologies for water treatment and/or the improvement of existing technologies by developing integrated processes for the control and treatment of emerging contaminants, along the line of current municipal waste water treatment plants, particularly emphasizing water reuse. To this end, the project combines crosscutting and multidisciplinary experience in the design of water treatment processes and in engineering, analytical chemistry and ecotoxicology applied to emerging contaminants, which guarantees the generation not only of new scientific know-how but also provides innovative commercial solutions for the market.

Throughout the year, the members of the FCC Aqualia research team have taken part in many conferences and scientific events. Their work has been recognised at some of them, including:

- International conference on 'Activated Sludge – 100 years and Counting'. The scientific poster presented by Nicolás Morales, an FCC Aqualia researcher in Guillarei (Pontevedra), was chosen by the jury as the best among the 56 that were presented. This event, organised by the IWA (International Water Association) to commemorate the centennial of the activated sludge process, took place in Essen (Germany), from 12 to 14 June 2014. The 200 researchers present included the leading world experts in water treatment and participants from 35 countries throughout the world. The poster presented the latest advances of energetically sustainable treatment, using the ELAN® (Autotrophic Elimination of Nitrogen) technology.

- IWA World Water Congress & Exhibition, held in Lisbon from 21 to 26 September 2014. A paper titled 'Low Cost Microalgae Harvesting Strategies For Wastewater Treatment Plants', presented by the researcher Zouhayr Arbib, on the cultivation of high-energy microalgae in waste water, was chosen by the participants at the congress as the best scientific poster.

- At the 'Innovation–Sustainability–Network' Awards, organised by the economic and business newspaper Expansión together with Bankinter and E.ON, FCC Aqualia was recognised as a 'Sustainable Large Company' thanks to its ELAN® project. The award was presented by José Manuel Soria, minister of Industry, Energy and Tourism, at an event held on 27 November at the Instituto de Empresa Business School in Madrid.

Last of all, the feature article titled 'IISIS Project, the design of a smart, self-sufficient and sustainable city', published in the first issue of iAgua Magazine, won the iAgua award for the best feature article of the year.

PROGRESS IN HUMAN RESOURCES MANAGEMENTS

Gender equality policies are applied at FCC Aqualia, among which is the First Mentoring Programme for Women, with a view to boosting female talent within the organisation and facilitating the professional career of the women identified as having potential in the company. In recognition of this effort, the Ministry of Health, Social Policy and Equality extended for an additional three-year period the 'Equality in the Company' distinction granted to FCC Aqualia. By granting this extension the Ministry of Health, Social Policy and Equality recognises and endorses the Company's commitment in the field of diversity and equal opportunities for men and women. It should be noted that many actions have been carried out in support of equal opportunities for men and women, together with actions for awareness and job insertion for women suffering from gender violence.

Furthemore, during 2014 a number of programmes have been applied with a view to transforming FCC Aqualia's leadership style towards a people management model that is more participative, development-oriented and serving as a catalyst for talent, that is able to reinforce team cohesion and supported by a common language shared by all. These programmes include the Otto Walter programme, which addresses middle managers and is meant to strengthen the development of skills and strategic abilities to improve in the fields of leadership and people management.

In the field of awareness, as part of FCC Aqualia's CSR policy, during 2014 there has been collaboration with the new Vice Chancellors Office for Cooperation and Volunteering at the Rey Juan Carlos University in its new activity of creating awareness and disseminating the importance of human rights in present-day society. These are dialogues and colloquia involving renowned experts that explain and debate on major issues in the field of human rights, as well as the obstacles preventing their realisation and the new challenges currently arising.

FCC Aqualia team in Riyadh (Saudi Arabia).

Among the events held was the presentation of the guidelines of the National Enterprise and Human Rights Plan which, yet to be approved, has been drafted by social workers, economic and state representatives. The Ministry of Foreign Affairs and Cooperation was in charge of setting out the strategy lines of the document, and representatives from salient NGOs explained the most relevant projects in terms of human rights training, especially those linked to higher education academic institutions such as the Rey Juan Carlos University.

A second meeting consisted of a discussion forum with the participation of CSR executives from a number of companies including FCC Aqualia. They explained their initiatives in the field of human rights and reflected on the importance of these rights in the corporate world generally and at their organisation in particular.

THE IMPORTANCE OF OCCUPATIONAL HEALTH AND SAFETY

During 2014 the accident frequency index hiked slightly, the accident severity rate dropped significantly, reaching historical lows, and the absenteeism rate due to sickness was at the target figures established in the annual plan. These accident rate indices confirm the positive evolution of recent years and allow FCC Aqualia to remain among the companies with lowest accident rates in the industry.

Throughout 2014, a number of workshops and task forces were arranged at FCC with a view to improving the preventive culture among all employees, gaging the perception of the importance of health and safety among members of the company, with the goal of detecting improvement possibilities and defining and implementing an action plan.

Among other measures, activities and initiatives have been arranged for the compliance with the FCC Aqualia Workplace Health Charter, approved by the majority trade unions and the Company's management.

KEYS TO CUSTOMER SERVICE

FCC Aqualia in 2014 kept its customer service running 24 hours a day 365 days a year, via its Customer Service Centre (aqualia contact), allowing it to reduce to the minimum the response time in solving breakdowns in distribution networks, with the subsequent water savings. The short time a customer has to wait to report a breakdown (38 seconds) allows the company to put into place an agile and efficient action protocol to solve any type of incident in the network, leading to better performance in water distribution. This customer service has allowed the Company to keep the claims rate to below one per thousand, answering 900,000 calls a year year and assisting customers in 5 languages (Spanish, English, Portuguese, Galician and Catalan).

The Company currently has a corporate website available in 5 languages providing general information on the company. In addition to this, the Company has different local websites for specific municipalities where FCC Aqualia provides services, with more local, customised information on the Company's presence in the town involved. Also, FCC Aqualia's websites, both the corporate and local sites, provide access to the virtual office aqualiaOnline, which allows users to handle the main formalities related to service.

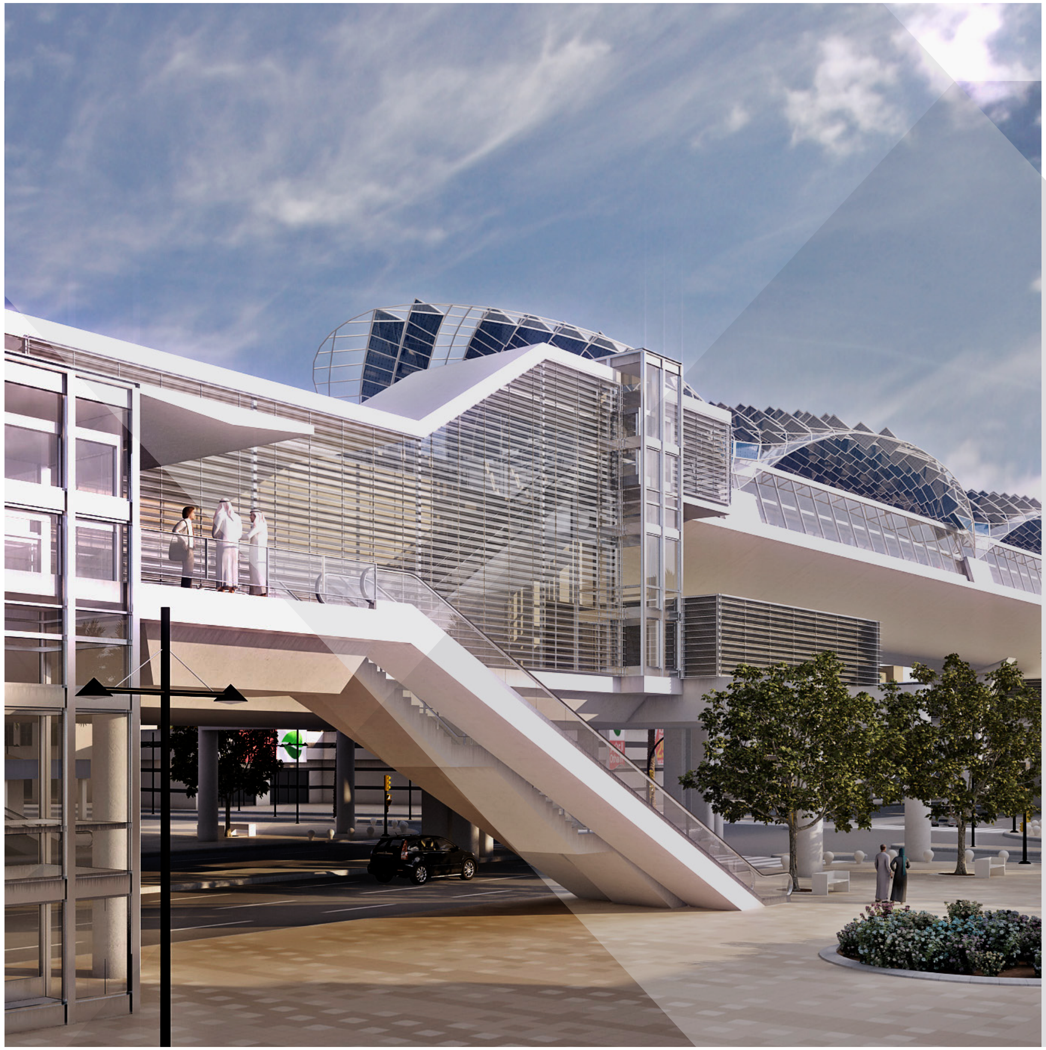
Since 2011, the aqualia contact and aqualiaOnline channels are certified with the UNE-ISO 27001 Standard; "Information Security Management Systems", complying with the established security goals and ensuring the commitment with our customers' data security, as well as the integrity, availability and confidentiality of said data.

The results of the institutional customer satisfaction surveys yield a very good overall general assessment, slightly higher than the outcome of the previous survey.

The results of the end customer satisfaction survey are slightly below the previous assessment, probably influenced by the prolonged economic situation in Spain, although user perception is more positive than that shown for services such as electricity, gas and telephone.

09

INFRASTRUCTURES



Riyadh Metro (Saudi Arabia).

ECONOMIC SITUATION AND FORECASTS FOR 2015-2016

CURRENT SITUATION

The IMF estimates forecasts for growth of the global economy at 3.5% for 2015 and 3.7% for 2016[1]. Although positive, these forecasts have been lowered slightly, by around 0.3%, as a priori a drop in oil prices, largely due to increased supply, stimulates world growth, although this stimulus will be exceeded by negative factors. One of these is investment weakness, as many advanced economies and emerging markets continue to adapt to medium term growth that has less encouraging expectations.

Among large advanced economies, the United States' economy is the most important, as its growth forecasts have improved. According to forecasts, growth will exceed 3% in 2015-2016, with internal demand supported up by oil price reductions, fiscal adjustment moderation and the ongoing support of the accommodative monetary policy focus, despite the estimated gradual increase in interest rates.

In the euro zone, recovery will be slightly slower than estimated, with 1.2% annual estimated growth in 2015 and 1.4% for 2016, largely due to sluggish investment. During the 2014-2020 period, cohesion policy will earmark one third of the European Union's (EU) budget to help achieve growth and employment targets in the EU as a whole that –supported by the drop in oil prices– estimate increased investment activity and growth (Juncker Plan), which could lead these forecasts to be adjusted upwards.

[1] *Source: IMF*

World economic outlook

(Percentage variation, unless otherwise indicated)

	Year-on-year						T4 a T4		
			Forecasts		Difference to WEO report of October 2014		Estimates	Forecasts	
	2013	2014	2015	2016	2015	2016	2014	2015	2016
World product 1	**3.3**	**3.3**	**3.5**	**3.7**	**-0.3**	**-0.3**	**3.1**	**3.4**	**3.9**
Advanced Economies	**1.3**	**1.8**	**2.4**	**2.4**	**0.1**	**0.0**	**1.7**	**2.7**	**2.3**
United States	2.2	2.4	3.6	3.3	0.5	0.3	2.6	3.4	3.2
Eurozone	-0.5	0.8	1.2	1.4	-0.2	-0.3	0.7	1.4	1.4
Germany	0.2	1.5	1.3	1.5	-0.2	-0.3	1.0	1.7	1.3
France	0.3	0.4	0.9	1.3	-0.1	-0.2	0.3	1.2	1.3
Italy	-1.9	-0.4	0.4	0.8	-0.5	-0.5	-0.5	0.9	0.8
Spain	-1.2	1.4	2.0	1.8	0.3	0.0	1.9	1.8	1.7
Japan	1.6	0.1	0.6	0.8	-0.2	-0.1	-0.3	1.6	0.2
United Kingdom	1.7	2.6	2.7	2.4	0.0	-0.1	2.7	2.7	2.2
Canada	2.0	2.4	2.3	2.1	-0.1	-0.3	2.4	2.1	2.1
Other advanced economies 2	2.2	2.8	3.0	3.2	-0.2	-0.1	2.3	---	---

*** Source: IMF*

The IMF has estimated the 2015 growth forecast at 2% for our country, with a consolidation of the recovery seen in 2014. Spain's pending issue continues to be unemployment, which closed 2014 at 23.70%, although it merits mention that these figures are somewhat optimistic, as the unemployment rate only fell below 24% for the very first time since the last quarter of 2011.

For Spain, as 2015 is an election year, the large reforms carried out by the present government continue to be consolidated, which include the labour market reform, the Budget Stability Law, financial system restructuring... although one of the most important reforms is still outstanding, namely the public administration reform led by CORA (the Spanish acronym for the commission responsible for this task).

With regard to figures, Spain closed 2014 with 1.4% growth and it reduced its deficit from 90,000 million in 2012 to almost the 55,000 planned at the end of 2014. This represents ending 2014 with a public deficit of 5.7%, thus complying with the demands of European partners.

The total public administrations' debt at year end was 1.033 billion euros[2], representing 97.6% of the Gross Domestic Product (GDP), according to data provided by the Bank of Spain.

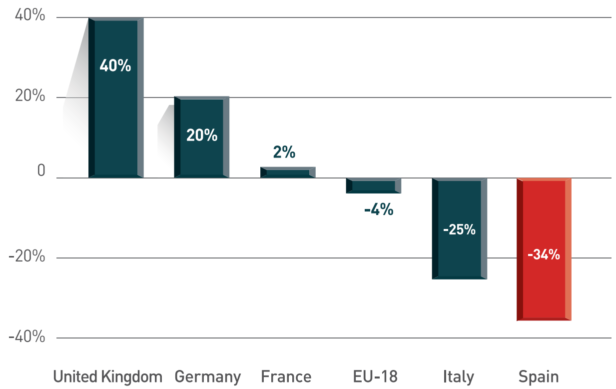
These figures show that debt grew by 67,687 million in 2014, 7% more than the previous year, the lowest annual growth since the crisis started. As a reminder, administrations' public debt closed 2013 at 960,640 million euros, equal to 93.9% of the GDP.

PUBLIC INVESTMENT: EC FORECASTS IN JANUARY FOR 2014/2016

Bearing in mind surface area and population, between 2014 and 2016 Spain will reduce its investment ratio by 34% with regard to the European average for the 1995-2013 period.

Public investment: 1995 to 2013 vs 2014 to 2016 periods

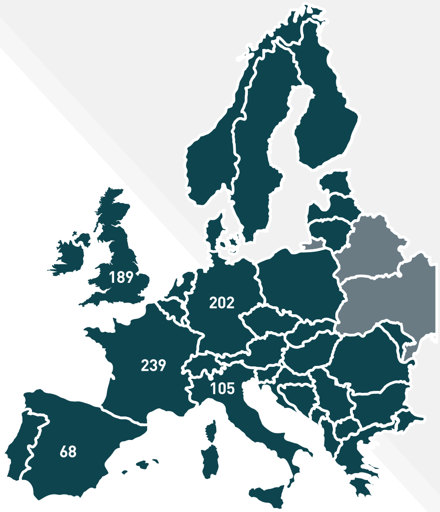
Var. between both periods in % (In terms of surface area and population)



Source: Eurostat EC. Created by SEOPAN.

[2] *Source: Bank of Spain*

Total public investment 2014/2016 in thousand million euros



Comparing Spain to other EU countries in absolute real terms, Spanish public investment forecast in 2014-2016 will be approximately € 68,000 million representing:

- 28% of investment in France,
- 33% of investment in Germany,
- 36% of investment in United Kingdom,
- and 65% of investment in Italy.

Source: European Economic Forecast Winter 2015.

THE CONSTRUCTION SECTOR

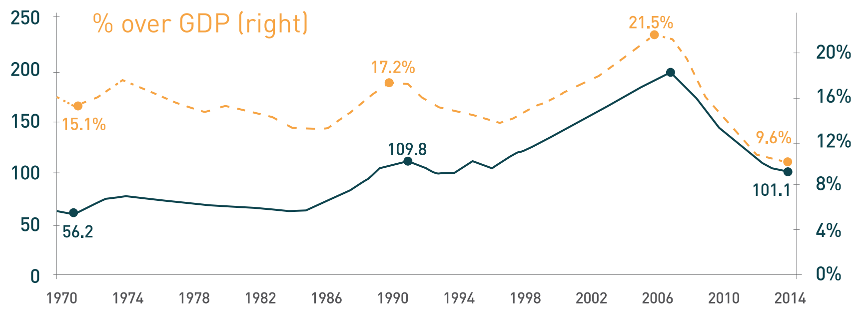
The construction sector is facing its eighth consecutive year of declines in production, which affects the four traditional subsectors (residential, non-residential, refurbishment and civil works), with a total production of 97,971 million euros and a negative variation of 2.4%, in real terms, with respect to 2013 (-0.7 in building and -5.5% in civil works).

The investment percentage out of the Spanish economy's GDP in construction was 9.6%, which represents a slight decrease with regard to 2013. Historic figures from the past five years show continuous falls, with 15.5% in 2010, 13.6% in 2011, 11.8% in 2012, 9.9% in 2013 and 9.6% this past year.

MAIN INDICATORS			
Indicators	2013	2014	14/13
Production (millions €/ real var.)	100,346	97,971	-2.4%
FBCF Construcción (millions €/ real var.)	103,522	101,084	-2.4%
Investment over GDP	9.90%	9.60%	-0.3 p.p.
Jobs (throusands)	1,103	994	-9.9%
Total jobs	6%	5.70%	-0.3 p.p.
Publics tenders (millons €)	9,172	13,111	42.9%
Concession works tenders (millons €)	388	2,244	478.3%
Housing permits	34,288	36,100	5.30%
Transfer to used housing	168,800	199,900	18.4%
Transfer of new housing	143,800	119,400	-17.0%
IMD (vehicles/day)	13,988	14,158	1.2%

The total ratio of construction investment to GDP in 2014 is considerably lower than the average level obtained since the seventies.

Construction investment (thousands of millions of current € 2014, left)



PUBLIC TENDERS

In 2014, public tenders increased three tenths in terms of their overall representation in the GDP; although this is 1.3 points lower than the average of the series available (2.4%) for the 1980-2014 period.

The distribution by ministries and compared to 2008:

- General administration: 5,497 million euros (Public Works and Environment), representing a decrease of -59% compared to 2008 (13,528 million euros)
- Regional administrations: 2,775 million euros, -75% compared to 2008 (11,061 million euros)
- Local administrations: 4,073 million euros, 12% compared to 2008 (3,615 million euros), but -69% compared to 2009

Investment for two main investor ministries:

MINISTRY OF PUBLIC WORKS				
	Programme	2014	2015	(%) 15/14
453B	Creation of road infrastructures	828.67	864.54	4.3
453C	Road maintenance and operation	818.20	856.72	4.7
453A	Rail transport infrastructures	107.37	21.00	-80.4
	Remaining programmes	27.27	28.35	4.0
	Remaining housing programmes	21.97	26.00	18.3
Ministry of Public Works		1,803.48	1,796.61	-0.4
	Companies	2014	2015	(%) 15/14
	ADIF	3,372.47	373.11	-88.9
	ADIF – High Speed	--	3,626.20	--
	ENAIRE	550.31	526.99	-4.2
	PUERTOS DEL ESTADO	776.50	863.86	11.3
	RENFE OPERATOR	240.18	429.51	78.8
Ministry of Public Works companies		4,939.46	5,819.67	17.8
	Companies	2014	2015	(%) 15/14
	SEITT	563.86	477.95	-15.2
Ministry of Public Works companies		563.86	477.95	-15.2
Total Ministry of Public Works		7,306.80	8,094.23	10.8

MINISTRY OF AGRICULTURE, FOOD AND ENVIRONMENT				
	Programme	2014	2015	(%) 15/14
452A	Water management and infrastructures	245.00	225.83	-7.8
456A	Water quality	58.70	161.11	174.5
456C	Coastal actions	40.88	63.79	56.0
	Other environment	104.71	139.91	33.6
	Remaining programmes	140.46	155.51	10.7
Ministry of Agriculture, Food and Environment		589.75	746.15	26.5
		2014	2015	(%) 15/14
	Autonomous organisations (hydrographic confederation)	503.20	484.29	-3.8
	Water companies	660.66	724.45	9.7
Autonomous organisations and organisations of the Ministry of Agriculture, Food and Environment		1,163.86	1,208.73	3.9
Total Ministry of Agriculture, Food and Environment		1,753.61	1,954.88	11.5
Total Ministry of Public Works and Ministry of Agriculture, Food and Environment		9,060.41	10,049.11	10.9

Gerald Desmond Bridge. Los Angeles (USA).

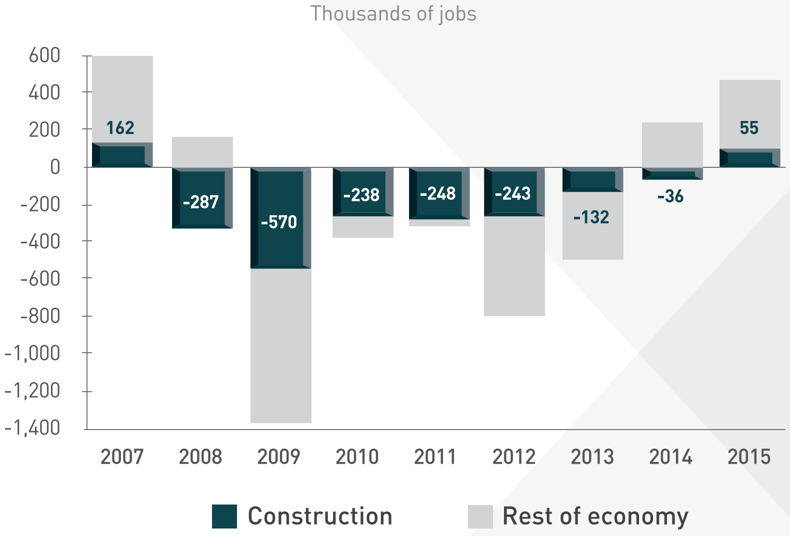
The volume tendered via the concession model, a model the government considers essential for creating new infrastructures, reached 2,244 million euros in 2014, representing a 478.3% year-on-year increase.

In terms of representation of the GDP, state public contracting underwent a very slight increase of 0.2%. It merits mention that the accrued decrease since 2007 is 74%.

THE CONSTRUCTION SECTOR AND THE LABOUR MARKET

For the period from 2008-2014 with regard to the labour market, the construction sector as a whole, building and civil works, terminated 1,754,000 jobs, representing the destruction of 55% of total jobs.

Employment: contribution of construction sector



Source: EPA (INE). 2015: SEOPAN

THE CONSTRUCTION SECTOR AND THE GDP

In the period from 2009-2014, the construction sector reduced Spanish economic growth by 9.9 points, or some 100,000 million euros.

GDP: Contribution of construction sector (in %)

Source: INE. 2015 est. SEOPAN

FORECASTS FOR 2015

Heeding the 2015 General State Budget, the investment planned by ministries (Ministry of Public Works and the Ministry of Agriculture, Food and the Environment) for 2015 will be 10,049 million euros, which represents almost a 10% year-on-year increase, although a 57% decline compared to the maximum reached in 2009.

In terms of construction investment variation and its effect on the GDP, after seven consecutive years of negative contributions, the construction sector in 2015 is expected to contribute positively to the GDP, albeit only 0.3 percentage points, or approximately 3,000 million euros, stemming from the building sector.

With regard to creating employment and in contrast to what happened over the last seven years with the ongoing destruction of jobs, forecasts indicate that around 55,000 new jobs will be created in 2015, also coming from building.

In 2015, total activity in the construction sector will increase from 2% to 4% compared to 2014. By type of works:

Work type	2015-2014 variation
Building	**2% / 4%**
Residential	2% / 4%
Non-residential	2% / 4%
Refurbishment and maintenance	2% / 5%
Civil works	**1% / 3%**
Total construction	**2% / 4%**

FISCAL RETURN AND THE CREATION OF EMPLOYMENT FROM SECTOR ACTIVITY

Investment in infrastructures is an essential variable in the economic recovery process and plays a two-fold role: stabilisation, due to its effect on business and short term employment, and on productivity and medium term growth.

The creation of infrastructures in a country generates wealth and progress, improves citizens' quality of life and makes a state more competitive. It also has a great knock-on effect, given that more than 20 subsectors are directly linked to the construction sector.

According to the employers' organization estimates in the SEOPAN construction sector, with an investment in civil works in Spain equivalent to 1% of the GDP, approximately 10,000 million euros:

1. CREATION OF EMPLOYMENT:

	Jobs generated		
	Direct	Indirect	**Total**
Construction of housing	134,500	62,700	**197,200**
Construction of infrastructures	117,500	63,100	**180,600**

2. FISCAL RETURN AS A % OF GDP:

Direct revenue: VAT	**0.21%**
Increased revenue from increased production	
Net taxes on intermediate consumption	0.01%
Income tax on wages paid	0.05%
Social contributions	0.11%
Corporate income tax	0.03%
Unemployment benefits	0.21%
Total	**0.62%**

Based on the above, 6,200 million euros would revert to the public coffers and over 180,000 jobs would be generated directly and indirectly, extremely convincing figures to bear in mind as a stimulus to resolve the crisis.

FOREIGN MARKET

Primarily due to the generalised fall in the internal demand for construction, the main Spanish construction companies have strengthened their positions in foreign markets, being the recipients and successful bidders of the main and most important international construction contracts, such as Line 2 of the Lima Metro, an operation valued at more than 3,000 million euros.

In aggregate values and for the main construction companies as a whole, contracting went up almost 22% compared to 2013, with contracting totalling 21,820 million euros. Turnover similarly increased by 3.5%, reaching a figure of 15,527 million euros. The main market continues to be the American continent, with 59% of contracting, followed by the EU with 25%.

Today, large Spanish construction companies are leaders in markets unheard of only less than a decade ago. Their portfolios reveal increasingly more significant participation in works abroad, where they compete under equal conditions with companies from other countries. By way of example, for infrastructure concession management, by number of construction and operation contracts, eight of the 37 largest world operators in transport infrastructures are Spanish, with four of these among the top ten in the world by number of concessions, according to PWF magazine (Public Works Financing). FCC-GVI is in third place in this ranking.

FCC'S ACTIVITY

All construction business of the Citizen Services Group is centralised with the company FCC Construcción, S.A. which had a turnover of 2,076.1 million euros in 2014, 20.1% less than the previous year. Out of total turnover, 50% was generated outside of Spain. Construction is the second area with the highest quantitative weight in the Group's global invoicing, representing 32.8%.

Gross operating profits totalled 98.2 million euros, representing a 4.1% variation from 2013. With respect to the Group's total EBITDA, the construction business contributed 12.2%.

In 2014, two consortiums led by the construction area obtained combined revenues for works of over 3,800 million euros during the course of the year. Worthy of mention among these works are two metro projects.

As part of consortiums, the contract to design and build Line 2 of the Lima Metro and a section of Line 4 was awarded, totalling 3,900 million euros. The planned construction term is five years, followed by its operation for 30 years. Furthermore, in the Middle East, FCC Construcción heads a consortium that was awarded the construction of the Red Line of the Doha Metro (Qatar), totalling 506 million euros.

Thus, the works order book attributable to FCC Construcción increased to 6,213 million euros at year end, which guarantees 35 months of activity, aligned with a profitable and selective positioning process. Of this order book, 67.5% is for contracts abroad.

Another noteworthy event is FCC Construcción's most important project, the Riyadh Metro, for which construction started in April, thus moving ahead of the schedule submitted.

Panama Metro (Panama).

RAILWAY INFRASTRUCTURES

The rail transport sector continued to be the most dynamic in 2014, due to expansion plans for the high speed rail network and the construction of new metro lines in cities in the Middle East, North Africa and the Americas.

Notable events during 2014 include:

- The awarding of the Lima Metro and Qatar Metro in March
- The delivery of Line 1 of the Panama City Metro in April
- The foundation stone of the Riyadh Metro, ahead of the schedule programmed

The most important awards in 2014 were:

- **Lima Metro (Peru).** Line 2 and a section of Line 4. A consortium led by FCC obtained the contract for the design, construction, financing, operation and maintenance of Line 2 of the Lima Metro and a section of Line 4, which will be extended to the airport, totalling 3,900 million euros.

  The planned period for the construction phase is five years, after which it will assume operations for 30 years. The awarded project consists of constructing 35 underground metro stations joined by 35 kilometres of tunnels.

  Line 2 will be close to 27 kilometres long and will cover the east-west axis of Lima from Ate to Callao, where FCC will also conduct conditioning works in the port at this town. Once it is up and running, the 27 passenger stations will provide service to more than 600,000 people a day, saving them up to 90 minutes in their journeys. It currently takes two hours and 20 minutes to do this journey by car.

  On its part, the section of Line 4 will link the Peruvian capital to the airport through eight kilometres of tunnel, from Avenida Faucett to Avenida Néstor Gambetta. Eight stations will be built on this route.

The contract also includes the execution of the superstructure, the supplying of rolling stock, the implementation of electromechanical equipment, railway systems and the electric power required to operate the Metro.

- **Doha Metro (Qatar).** FCC was awarded the contract to construct a section of the Red Line of the Doha Metro (Qatar), totalling 506 million euros. This is the first large-scale project that the Servicios Ciudadanos Group will execute in this emirate.

  The terms of the contract awarded by Qatar Railways Company establishes an execution period for the works of 31 months and construction will provide jobs for over 1,000 people.

  The section of the Red Line awarded to FCC will consist of three elevated stations (named Barwa Village, Al Wakra and Qatar Economic Zone), with a length of 6.97 kilometres. The existing dual carriageway will run underground at the entry to Al Wakra. The total budget for the construction of the entire metro project for the capital of Qatar exceeds 20,000 million euros.

- **Maintenance of infrastructure, track and switches and crossings. Madrid-Seville High Speed Line. Area: Between Mora and Calatrava (Spain).** ADIF awarded the maintenance contract in joint venture to FCC Construcción totalling 27.8 million euros for a four year period.

The maintenance contract required will participate in the following combined concepts:

- General standard based on maintenance principles according to status: surveillance, data evaluation (diagnosis), scheduled short, medium and long term interventions.
- Availability and application of resources to take immediate action for all types of incidents with direct and indirect impacts on operations.
- Setting up a work organisation to support the management and conservation done by and for basic comprehensive maintenance.

The most noteworthy execution works are:

In 2014, the foundation stone was laid for the most important project that FCC has executed to date, Package 3 of the Riyadh Metro in Saudi Arabia, undoubtedly the largest construction project in the world.

- **Construction of the Riyadh Metro (Saudi Arabia).** The Arriyadh Development Authority (ADA) awarded Package 3 to the consortium led by FCC. It consists of the design and construction of lines 4 (Yellow), 5 (Green) and 6 (Purple), which in turn consists of the 25 stations required over 64.6 kilometres of metro tracks, 29.8 kilometres of viaducts, 26.6 kilometres of underground tracks and 8.2 kilometres of overground tracks. For the construction of the three lines awarded, three tunnel boring machines (TBM) will be employed, with diameters up to 10 metres. The trains that will run on these lines have two carriages; they will operate without drivers and will be supplied by Alstom. There will be four types of stations: elevated, overground, underground and transport hubs to connect the different lines.

- **Bucharest Metro (Romania).** The tunnel works for the new Bucharest Metro line, which started on 25 September 2013 with the start-up of the first of the two tunnel boring machines 'Santa Barbara' and 'Santa Filofteia', continue to be executed on schedule.

  Construction of the new Line V of the Bucharest Metro, 6.1 kilometres long with nine stations and a cost of 267 million euros. The works are underway for the section between the Raul Doamnei and Hasdeu stations. The work consists of the execution of the civil works for a 6.1 kilometre long section with nine stations. The new line has two parallel tunnels measuring 3.8 and 4.0 kilometres, with a 5.7 metre inner diameter, and a third 260-metre-long tunnel, which will connect lines 1 and 5 at the Eroilor 2 station, adjoining the existing one. The tunnels are being bored with EPB tunnel boring machines with a 6.60 excavation diameter and clad with concrete rings (arch stones) 30 centimetres thick. The new metro line should be up and running by the middle of 2016.

MOTORWAYS, DUAL CARRIAGEWAYS AND ROADS

The most notable events during 2014 include:

- The delivery and start of operations of the **Nuevo Necaxa-Ávila Camacho Motorway (Mexico)**, 36 kilometres long, which included the construction of the **San Marcos Viaduct**. It is 850 metres long, divided into seven spans measuring up to 180 metres, with the second highest pier in the world, pier four of the bridge, with a maximum height of 225 metres. The project was inaugurated by President Enrique Peña Nieto on 17 September 2014.

San Marcos Viaduct. Nuevo Necaxa-Ávila Camacho Motorway (Mexico).

- The opening in February 2014 of section II of the **Vía Brasil Corridor (Panama)**. Like its predecessor, section I, this project was executed in record time, finished between three and five months ahead of contractual delivery dates. The project consisted of the transformation of single level intersections with traffic lights, double level intersections without traffic lights, via the construction of a depressed underpass and a surface roundabout, in addition to three elevated pedestrian crossings to ensure pedestrians' movement and safety, equipping the streets with new pavements, new lights and road signals.
- Advances in iconic works, such as **Mersey Bridge in Liverpool (United Kingdom)** and the **Gerald Desmond Bridge in Los Angeles (United States)**.

The most important tenders awarded in 2014 were:

- **Coastal Road (Panama).** The project includes the execution of a 6.6 kilometres long access road that connects the mineral excavation area with facilities on the coast. Two roads will also be constructed: a 1.5 kilometre long road for eastern access to the excavation area and a second 5.5 kilometres road running parallel to the Pipeline corridor, along with the installation of its steel pipelines, which will transport mineral materials from the mine to the coast. Several platforms are also included in the scope of the construction project for the future installation of assorted mining services, as well as the construction of a dam south of the facilities to handle tailings.

- **Reform of the widening of the MA-30 between San Ferriol and Inca road, Balearic Islands (Spain).** The project consists of widening 3,499.35 metres between the MA-2011 and MA-13, from the roundabout on Sineu road to the roundabout at Pont d'Inca. This work involves total control of access points to the dual carriageway, the construction of the junction on the roundabout that currently intersects the MA-3013 with two exits and two entries and two roundabouts. The contract also stipulates the construction of a bicycle lane and service roads to access the different properties and facilities affected by the works. The client is the Mallorca regional council.

The most noteworthy works currently being executed are detailed below:

- **Construction and improvements to the road on route T-775 (Chile).** The project encompasses 15 kilometres and entails the remodelling of roadway geometry. To do so, a high volume of earthworks, 250,000 m^3 of embankment, has been considered, as well as the replacement of the 30 metres-long Quillín Bridge and the construction of the 170 metres Rio Bueno Bridge. The latter crosses the river bearing the same name which, due to its flow, means it is necessary to use sheet piling and the creation of peninsulas necessary. At present, some 150 people are working on this project, with 60% of physical work completed.

- **Expansion of the Cañas–Liberia road (Costa Rica).** The project is being executed on National Route No. 1, the North Inter-American Highway, in the northern Pacific region of Costa Rica to link the communities of Cañas, Bagaces and Liberia.

  The work consists of the refurbishment of 50.3 kilometres of an existing two lane road to expand it to four lanes (two in each direction) and includes the construction of embankments for the two new lanes, the reconditioning and extension of the drainage system and restoration and construction of pavement using hydraulic cement concrete.

  It also includes the construction of new facilities and infrastructures, such as bus bays, pedestrian walkways, pedestrian pavements, bike lanes, animal crossings and road signals.

  The modification order awarded in February of this year primarily includes the construction of three overpasses at the intersections of urban hubs, replacing the level crossings initially planned.

  Of the planned 50.3 kilometres, 41 kilometres have already been built, with traffic diverted onto completed slabs. The nine remaining kilometres are the three junctions in the modification order for the approaches to the new dual bridges, currently being performed by several construction companies.

  At present, 90% of the works have been completed. The delivery date is currently in an addendum process, which considers two additional months from the date established by contract.

- **Mersey Bridge, Mersey Gateway Project (United Kingdom).** Design, construction, financing, maintenance and operation of the bridge over the Mersey River in Liverpool (United Kingdom), 2.13 kilometres long, which will provide service to some 80,000 vehicles per day. The planned date for opening to traffic is at the end of 2017. The most striking feature of the entire contract is the 1 kilometre long cable-stayed bridge, which is 42 metres wide and has a peak height of 125 metres. The project also includes the refurbishment of seven kilometres of access roads, 2.5 new kilometres of motorway and the renovation of a further 4.5 kilometres of motorway, as well as different transport links.

- **Gerald Desmond Bridge in Los Angeles (United States).** The project includes the design, replacement of the old bridge and construction of the new bridge at the Port of Long Beach in Los Angeles. The new bridge is cable stayed with a principal 305 metre span, located 61 metres above Back Channel in the Port of Long Beach.

AIRPORT WORKS

The most important awards in 2014 were:

- **Juan Santa María Hangar (Costa Rica).** Design and construction of a hangar for aircraft maintenance and their associated approach, runways, related facilities and services, as well as the supplying of auxiliary equipment for CETAC/DGAC of Costa Rica.

The project has two phases, which structure development into:

  - Phase I. Civil Works: Design approved. The starting order is established as 18 March 2015, when earthworks and foundation laying works will commence.
  - Phase II. Remaining activities: Pending design approval.

Most noteworthy works being executed:

- **Construction of the new control tower and management centre of Dorado Airport (Colombia).** Located 15 kilometres from the centre of Bogota, the new control tower will be 80 metres high and has an execution period of 40 months. The project also encompasses the construction of the airport management centre, which will be used to ensure the airport's future expansion. This new infrastructure has a constructed area of 16,300 m^2, which will allow for increased air traffic, to attend to the growth in airport operations. Around 70% of the work has been completed, and the contractual term ends in the last quarter of 2015.

- **Construction of the technical block and control tower at Oran Airport (Algeria).** The contract includes the construction of a rectangular control tower 47 metres high and a building with the same shape measuring 62.55 x 31.05 metres, with access to the tower. The execution period is 16.5 months.

- **Construction of the technical block and control tower at Constantine Airport (Algeria).** The contract includes the construction of a circular control tower, 46 metres high and a rectangular building measuring 59.3 x 43.2 metres, with access to the tower. The execution period is 16.5 months.

- **Control tower at Argel Airport (Algeria).** Budget of 2,553,833,047.90 Algerian dinars, including an assignment for 10,595,938.30 euros. Execution period: 18 months.

HYDRAULIC WORKS

The most important tenders awarded in 2014 were:

- **Chucas hydroelectric project (Costa Rica).** This 50 MW project is located between the provinces of San Jose and Alajuela, Costa Rica, employing water from the Rio Grande de Tárcoles. The water flow is diverted toward a compacted concrete gravity dam with a capacity to regulate 14.7 hm^3/hour, equipped with drainage and overflow structures.

The project includes the following works:

- Construction of a rolled compact concrete (RCC) gravity dam 54 metres high by 230 metres long, with a volume of 190,000 m^3, built on rock.
- Construction of a spillway in the body of the dam equipped with four radial sluice gates measuring 15 metres by 11.25 metres, four cofferdams and a gantry crane.

The most noteworthy execution works in 2014 were:

- **PAC 4 (Panama).** This project consists of the excavation of a new channel in the Panama Canal, which will link the new sluice gates to Corte Culebra, the narrowest section of this waterway, close to the entry to the Canal on the Pacific. This project consists of the construction of 3.7 kilometres of an approach channel to the sluice gates on the Pacific, 200 metres wide. It includes the construction of a rock fill embankment dam 2.4 kilometres long, the excavation, transport and dumping of some 27 million cubic metres primarily of rocks, the construction of access routes and water deviation drainage canals, the creation of tanks and the cleaning of approximately 80 hectares of firing range.

  FCC's participation percentage is 43% and 80% of the project has been completed to date. The planned completion date is the third quarter of 2015.

- **Bajo Frío Hydropower project (Panama).** The project consists of the construction of a gravity dam 56 metres high and 405 metres long, with conventional concrete and roller-compacted concrete blocks, closed on the left bank with a rock fill dam. The dam consists of two spillways, one open channel 90 metres long with a drainage capacity of 2,100 m^3/s and another double conduit measuring six by five metres with an evacuation capacity of 700 m^3/s.

  The project includes two machinery houses and is completed by the improvement of the dam access roads, one bridge over the River Chiriquí, a 2.1 kilometre long raceway, the loading chamber and intake for the Salsipuedes machinery house, located at the end of the intake chute and a water conveyance channel measuring around 110 metres through which the waters are returned to the River Chiriquí Viejo. The project is 95% completed and conclusion is planned for the third quarter of 2015.

- **Design and construction of the El Realito aqueduct in the state of San Luis Potosí (Mexico).** Work finished and operations started in October 2014, for supplying up to 1 m^3/s of water. A total of 135 kilometres of aqueduct pipelines have been constructed in steel, reinforced concrete and high density polyethylene in the urban section, with diameters up to 54". It includes three pumping plants to handle a topographic 947 metre change in altitude, a system exchange tank, a water purification plant, six delivery tanks, as well as a 46.2 kilometre type D service road, the latter being completed at present. Inaugurated on 22 January 2015 by Mexican President Enrique Peña Nieto.

Hydraulic works in Portugal

Ramalho Rosa Cobetar, RRC, is the representative of FCC Construcción in Portugal. The Group's strategy is to centralise all construction business in the Portuguese market with RRC. This strategy is greatly appreciated by its clients and by other sector companies, which do not hesitate to associate with RRC in the most varied works. At present, RRC is completely integrated and stabilised in the country's market.

- **Hydroelectric use of Ribeiradio–Ermida in Aveiro (Portugal).** The works are broken down into three main groups: Ribeiradio Dam, Ermida Dam and access roads to the dams.

  - **Ribeiradio Dam:** Concrete gravity dam with circular guide vanes, with 262 metres executed at the crest and a maximum height of 74 metres, with a spillway formed by three 13 x 13 metre spans with segment floodgates (TAINTER) and a scour outlet with a 2.5 metre diameter.
  - **Ermida Dam:** Concrete gravity dam with straight guide vanes (175.1 metres at crest) and a maximum height of 35 metres, with a fixed lip spillway, a 1.2 x 1.5 metre scour outlet and a 30 metre stilling basin.
  - **Access roads to Ribeiradio Dam:** they will have a total length of 2,500 metres. The re-establishment of road EM 569, on the right bank of Ermida Dam, measuring approximately 2.35 kilometres, includes the construction of the bridge over the Salgueira riverbank, a viaduct with a curved base with an 84 metre span (26+32+26), 10.50 metres wide, with a section with lightweight post-tensioned concrete slab and a maximum stack height of 27 metres with a shallow foundation.

  Works started in 2010 and will finish at the beginning of 2015.

- **Amoreira-Caliços de Alqueva Hydraulic Circuit (Portugal).** The Amoreira-Caliços Hydraulic Circuit consists of a raceway section between Amoreira Dam (existing) and Caliços Dam (to be built by RRC). The works are broken down into three main phases:

  - Main pumping station at the foot of the dam, next to Amoreira Dam: 66 metre long and 17 metre wide building, equipped with six electric pump systems for an elevation height of 79 metres.
  - Raceway between Amoreira and Caliços Dam, 6,630 metres long with a 2,300 millimetre diameter.
  - Caliços earth dam, 10 metres high, and a 24 hectare reservoir.

  Works started in 2013 and will finish at the beginning of 2015.

MARITIME WORK

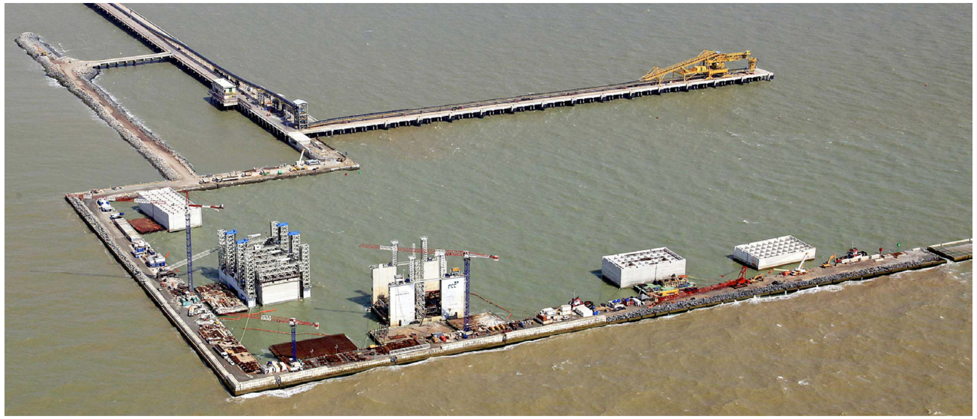
The most important tenders awarded in 2014 were:

- **Container terminal at Prat wharf (Phase 2). Manoeuvring area at the Port of Barcelona (Spain).** Puertos del Estado awarded the project to a joint venture led by FCC, whose purpose is to complete all actions planned in the non-concession manoeuvring area, except for the paving of the two streets bordering the area not under concession, thus allowing for increased docking capacity. The expansion planned for the manoeuvring area is 511 metres, which can be added to the 970 metres in place on the working face, which were executed during Phase I.

The most noteworthy execution works are:

- **Port of Açu (Brazil).** The project consists of constructing the TX-1 terminal in the Brazilian Port of Açu, located in the municipality of São João de Barra (northeast Brazil), a region that produces 85% of the country's petroleum and gas.

The works include the execution of a 2,438 metre long caisson dock, which will be executed by the production and submerging of 47 reinforced concrete caissons, and a 600 metre sloping breakwater. The client is the company named FERROPORT, made up of Prumo Logística and Angloamerican.



Port of Açu (Brazil).

The scheduled termination date is October 2015 and 87% of works have been completed. Worthy of mention in this project is the construction and transport of 11 caissons constructed in Spain and transferred to Brazil in semi-submergible ships.

- **Expansion of the Port of El Callao (Peru).** Works consist of the expansion of quay 5 (560 metres long) and 11 (280 metres), with the aim of increasing docking capacity and building new facilities (an administrative building, a car park and a leisure centre). The first quay, number 5, is earmarked for handling containers and loading minerals. On its part, quay 11 is equipped with silos with a 25,000 tonne total capacity for agricultural products imported. During the expansion work, FCC will have to conduct dredging to attain a depth of 16 metres and create a superstructure supported by steel piles and concrete beams. The work is 60% complete and part of quay 5 has been delivered and is operational.

NON-RESIDENTIAL BUILDING

The most significant residential and non-residential (public facilities) building works are detailed below, which were awarded and were being executed in 2014.

The most important awards in 2014 were:

- **Haren Prison (Belgium).** Presently in preferred bidder phase. This project consists of the design, construction, financing, maintenance and operation of Haren Prison, near Brussels (Belgium). The prison, which can house 1,190 prisoners, will consist of 18 buildings and a built area of 108,000 m^2. Contract signing and the start of construction works are estimated for the end of 2015, after licenses are obtained. The estimated timeline for the work is 32 months.

The most noteworthy works underway are:

- **Hospital Complex in Panama (Panama City).** This project consists of the design, urban development, environmental impact studies, construction, financing and equipping of all facilities at the Hospital Complex in Panama. Health facilities will occupy an area of 220,000 m^2 and will be equipped with 49 operating theatres, over 200 consultation rooms and 1,709 beds, thus becoming a leading reference in Central American in terms of its equipment and functionality. The Hospital Complex is made up of 17 buildings that will house the specialities of paediatrics, cardiology, internal medicine, child and maternal consultation rooms, operating theatres, outpatient departments, as well as a day hospital, several specialised rehabilitation institutes and hall of residence. This health complex will be able to attend to more than 1.5 million people.

  At present, works are 35% complete and the estimated end date is December 2017.

Hospital Complex in Panama (Panama City).

- **Luis 'Chicho' Fábrega Hospital, Veraguas (Panama).** The new Luis 'Chicho' Fábrega Hospital, constructed in Veraguas Province, and delivered in December 2014, has an area of 46,460 m^2. The health centre, with a 330 bed capacity, houses central services on the ground floor and basement. The five storey building is for hospitalisation and on-duty doctors. The building has a shallow foundation and facades created with concrete and glass panels with inverted roofs. There are three main driving routes that will act as the backbone for the building:
  - A ring road for visitors and outpatients.
  - An inner driving route restricted to diagnosis and treatment areas, located in the central building.
  - And another inner route exclusively for employees and service personnel.

RESIDENTIAL BUILDING

- **210 houses in Arroyofresno, Montearroyo, Madrid (Spain).** Works consist of the construction of 210 houses with two underground car parks, a semi-basement, garages and business premises. The foundations and structures will be reinforced concrete with a pile wall. The floors will be constructed from one-way joists and slabs.

Building works in Portugal

Through subsidiary Ramalho Rosa Cobetar (RRC):

Schools

- **Campelos and Ponte de Rol schools (Torres Vedras, Portugal).** The two schools in the same council district are some 30 kilometres apart. A two storey building with a 2,000 m^2 area and a single level 500 m^2 building are being added to the school in Campelos. In Ponte de Rol, a new 2,500 m^2 school will be built. The town council will have a total of 18 new classrooms.

Cultural, sport and leisure centres

- **Water Museum (Lisbon, Portugal).** TThe purpose of this project is to refurbish the museum to house administrative personnel offices and museum exhibitions. This 100-year-old building is classified as a building of public interest, as it includes the former Barbadinhos Steam Pumping Station, which was turned off in 1928. The works will take some six months and will include structural reinforcements, in addition to the renovation.

MANAGEMENT SYSTEMS

With FCC Construcción's international lines of business well established, its management and sustainability systems have been successfully implemented and certified in the large projects in progress. To this end, procedures, software applications, formats and records have been adapted to handle the needs that arise from this activity in the international arena. Our priority continues to be customer satisfaction beyond their expectations, with the commitment to fulfil quality assurance requirements that is so characteristic of us. Furthermore, and with the aim of providing greater credibility to our quality management, the system has been certified in 24 countries, representing over 97% of our total activities.

Percentage of activities certified				
		Scope (% of certified activities)		
Management area	Certified	Total	National (Spain)	International
Quality	ISO 9001	97.4%	100.0%	94.6%
Environment	ISO 14001	77.4%	99.9%	53.6%
Information security	ISO 27001	36.1%	70.3%	0.0%
GHG emissions	ISO 14064	36.1%	70.3%	0.0%
R&D&i management	UNE 166002	36.1%	70.3%	0.0%

Part of our commitment to clients concerns information security. FCC Construcción, the only Spanish construction company with the ISO 27001 certification for its Information Security Management system, uses indicators to measure the suitability of the countermeasures established from a security standpoint, in order to have possible threats to our information assets under control and to protect our clients.

Risk management

Promoted by senior management, risk and opportunity management was established systematically at FCC Construcción this year. The adoption of procedures based on risk management makes it possible to identify opportunities that are not visible a priori, to transform threats into opportunities, and fully or partially prevent any possible losses, strengthening our business strategy and differentiating ourselves from competitors.

Based on a reliable and internationally recognised methodology, detection and assessment of risks, and their subsequent control, are an ongoing review process, applicable to all phases of each project. In terms of contracts, it facilitates entry into new markets with very demanding clients, thus strengthening the company's objective to develop international business and the firm commitment to a global future.

Environment

To obtain balance between upholding profits and reducing environmental impacts, the Environmental Management System has been certified by a third party pursuant to ISO 14001 in 19 countries, which means that 66% of turnover is certified.

In assuming its responsibility, FCC Construcción considers that the achievements obtained and the processes developed should be a behavioural standard and part of the culture of the global construction sectors. In light of this goal, it leads and participates in a slew of technical committees, both national (AEN/CTN 198/SC2 Infrastructure Sustainability, on which it is the chair) and international (CEN-TC 165 Wastewater Engineering; CEN/TC 350 Sustainability of Construction Works, on which it chairs the WG6; ISO/TC 59/SC 17 Building Construction/Sustainability in Building Construction, on which it chairs the Sustainability Committee for Civil Works (WG5) and ISO/TC 207 Environmental Management). In addition, it participates actively in the technical associations most relevant to its lines of business (Scientific/Technical Association of Structural Concrete, Technical Association of Ports and Coasts-PIANC, Committees on Large Dams, chairing the Technical Committee, Engineering Activities in Planning for SPANCOLD and is the Spanish representative at ICOLD internationally, etc.).

In its firm commitment to sustainability and framed in a strategy defined to combat climate change, FCC Construcción became the first Spanish construction firm to verify its greenhouse gas (GHG) emissions report, later being awarded AENOR's Carbon Footprint certificate 'Environment CO_2 Verified', which accredits calculation veracity and shows that the company has included greenhouse gas management in both its system and strategy.

Occupational risk prevention

In line with the FCC Construcción's continuous international business growth in 2014, its international activity on occupational risk prevention has grown accordingly.

The Occupational Risk Prevention Management System under the OHSAS 18001 standard has been definitively implemented in several countries, where certification according to this standard was obtained in 2014. Implementation continues in other countries with the aim of successively certifying systems.

Nationally, the Occupational Risk Prevention System has been fully implemented according to OHSAS 18001 certification in the construction division. Worthy of mention is that all external audits to renew OHSAS 18001 certification have been conducted at all companies in this area with optimal results. The legal audits required by regulation were also carried out in 2014, which companies passed with the same excellent results.

Moreover, the system has an optimal prevention management tool that incorporates a scorecard to measure performance, which streamlines the control and substantially optimises the monitoring of objectives in this division.

The reduction of accident rates continues to be a priority objective. Given that the profiles of accidents in the industry are changing as the activities, personnel and global circumstances change, the information obtained daily from the Accident and Incident Reports received by FCC Construcción is especially valuable, and is a basic work tool to achieve '0 Accidents'. Limiting how FCC Construcción achieves reductions in line with its goals, the values obtained with regard to frequency, seriousness, incident and absenteeism rates do nothing but further strengthen the organisation's control of accident rate trends locally and internationally.

Defined as an essential resource to attain its targets, managing training is a fundamental indicator in planning the company's preventive activities at all organisations. During 2014, the objective of 'road safety training' was maintained and the training established in the General Agreement on the Construction Sector continued.

Related to the start-up of preventive programmes and actions, one of the objectives established in 2014, which will continue in 2015, was to draw up preventive best practices at several offices, both nationally and internationally. A large number were taught, both on prevention management and active safety on worksites. The most interesting will be analysed and passed on to the organisation.

In the scope of Research, Development and Innovation (R&D&i), FCC Construcción has participated in projects and training activities that were significantly technical, focused on reducing accidents at linear infrastructures (PRECOIL Project), at buildings and infrastructures with structural faults (SETH and SORTI Project), in different construction sector settings (SEIRCO Projects) and on jobs with ergonomic risks (SENSORINZA).

These were all done in collaboration with high level state institutions (Ministry of Science and Innovation), research centres (CSIC, IBV, CARTIF), universities (UPM, University of Vigo) and other companies.

The company has also worked closely with universities on occupational risk prevention training in their final years of study, including the Road, Canal and Port Engineering School at the University of Cantabria.

In addition, FCC Construcción actively participates in and collaborates with the most outstanding agencies and platforms in the field of health and safety both nationally and internationally, such as the National Commission on Occupational Health and Safety, the National Institute, the Regional Institute, the European Agency, the ENCORD Platform, culminating in the decision-making process at European level through the chair of the European Construction Industry Federation (IFAC), a social partner officially recognised by the European Commission.

TECHNOLOGICAL DEVELOPMENT. INNOVATION DEPARTMENT: R&D&i

FCC Construcción promotes an active policy for technological development and is constantly incorporating innovation into its works, as part of its firm commitment to research and development, to sustainability and to contribute to the quality of life of society as a competitive factor.

R&D&i

Development and the use of innovative technologies to execute works entails a significant contribution of added value and a differentiating factor in the modern-day market, which is highly competitive and internationalised.

In this regard, its active participation is well worth pointing out in European R&D&i organisations such as the European Construction Technology Platform

(ECTP), the E2BA Association (Energy Efficient Buildings Association), the reFINE initiative (Research for Future Infrastructure Networks in Europe), both connected to the European Horizon 2020 programme and the ENCORD network (European Network of Construction Companies for Research and Development). In 2014, the process, now complete, was driven forward to integrate the E2BA Association with the European Construction Technology Platform. Nationally, FCC Construcción participates in the Spanish Construction Technology Platform, and is active in the Spanish Construction Technology Platform Foundation, its standing committee and its working groups, and Seopan's R&D&i committees, chaired by FCC Construcción since 2012, as well as the Spanish Confederation of Employers' Organisations (CEOE).

The aim of all these organisations is to clearly define the company's role as a driving force in R&D&i in the construction sector, in accordance with the approaches of the European H2020 programme and the Spanish Strategy of Science, Technology and Innovation 2013-2020. The company is also active in ADIF's Railway Technology Centre in Malaga.

FCC Construcción and its subsidiaries carry out a large number of R&D&i projects, some of which are in partnership with public administrations, including its work with ADIF in the European LIFE Zero Impact project, awarded in 2013.

Projects started in previous years have continued, including Integrated Research on Sustainable Islands (IISIS per its Spanish acronym), developed with majority participation from the different business areas of the Servicios Ciudadanos Group; Sustainable Building Refurbishment (RS per its Spanish acronym); NEWCRETE, on new concretes; APANTALLA, on new nanomaterials with improved screening properties for electromagnetic radiation; the Expert Smart System to Assess Risks in different areas of the Construction Sector (SEIRCO per its Spanish acronym); BOVETRANS, development of a system of vaults with light transition in road tunnels to take advantage of natural sunlight.

The national projects started in 2014 are: DOVICAIM, on reinforced concrete floating caissons, led by FCC and directly focused on the current challenges of international maritime works and SORT-i on safety.

On a European level, work continues on the following projects: BUILDSMART, energy efficient solutions ready for the market; CETIEB, cost effective tools for better indoor environment in retrofitted energy efficient buildings; SMARTBLIND, development of an active film for smart windows with inkjet method; and eco-innovation REWASTEE, related to incorporating recycled items into construction products.

In addition, innovation that is detected within the framework of the Company's ordinary course of business is structured and its value is enhanced by the corresponding certification processes.

Materials technology

The actions below are some of the most significant in 2014:

- Riyadh Metro: Definition of durability standards applicable to concretes, pursuant to regulations considered in the projects and guidance on concrete designs. *In situ* tests for batching two-component mortar used in tunnel construction.
- Doha Metro: Advice on the design of concretes for the work and creation of procedures to execute the embankment on which Qatar Rail's future maintenance workshop facilities will be situated.
- Chucás Dam: Plant and laboratory tests and management to approve the batching of roller-compacted concrete for the dam body.
- Coordination for the implementation and later monitoring of laboratories at the Enciso and Yesa Dams.

In collaboration with the R&D&i Department and Cementos Portland Valderrivas, participation has continued on projects including CEMESMER, CEMESFERAS and NANOMICRO.

FCC Construcción and SEOPAN are represented via seats on several AENOR standardisation and certification committees, participating on committees, subcommittees and work groups on concretes and cements:

- TSC (Technical Standardisation Committee) Concrete: Subcommittees SC 10 and SC 11 respectively on durability and concretes.
- TSC 146 Aggregates: Subcommittee SC 6 (tests) participating in the working group on Aggregate-Alkaline Reactivity.
- TCC (Technical Certification Committee) 015 Cement.
- TCC 079 Concrete under Spanish code EHE.

MACHINERY DIVISION BUSINESS

MARITIME WORKS

- From April to the end of July, nine caissons were produced at the **Mar de Teide Dock** for works at the Port of Granadilla. The caissons were manufactured at the Port of Santa Cruz in Tenerife and are awaiting towing to Granadilla.

- The Mar del Enol and Mar del Aneto floating docks have been stationed at the **Port of Açu, Brazil**, producing a total of 38 caissons, 19 by each dock. At the Port of Algeciras, 11 caissons were produced (nine by Mar del Aneto and two by Mar del Enol), which were later transferred to Brazil in semisubmersible vessels. The process employed by the Mar del Enol to produce the caissons consisted of installing a weather protection umbrella with the pertinent slip form paving machines, assembling on the dock 703,000 kilos of metal structure, 240,000 kilos of formwork, 48,000 kilos of auxiliary equipment and a hydraulic lifting system employing 28 jacks with a total capacity of 2,800 tonnes.

  For the same project, the Acanto split barge has dumped some 1,424,766 tonnes of material for the caisson banks.

Port of Açu (Brazil).

BRIDGE WORKS

- The execution of the viaducts over the River Cabra were finished in the first half of the year, belonging to the subsection of the Cantábrico Dual Carriageway between Pendueles and Unquera, with the movable formwork A-60 for onsite concreting, owned by FCC. Tasks to turn the formwork were undertaken at the beginning of the year at the end abutment of the first viaduct, so that the second viaduct could be executed without having to go back to initial assembly again, thus reducing total project time.

- In accordance with project scheduling for the elevated section of the **Red Line of the Doha Metro**, the technical definition, selection of suppliers and purchase of moulds were done in 2014 to execute the prefabricated segments and two segment launchers, specially designed to attend to clearance limits imposed for the project. To complete work needs, a segment launcher owned by FCC was also modified and reconditioned, adapting the machine to the geometry of project spans and weights.

Viaduct over the River Cabra. Cantabrian Highway (Spain).

HYDRAULIC WORKS

- The laying of the concrete started for the **Enciso Dam (La Rioja, Spain)**, where two concrete plants have been installed with production capacity of 450 m^3/h. As the roller compacted concrete technique is being employed, the concrete is laid using a Rotec conveyor with a climbing formwork, which can cross 60-metre spans without supports. Its slope can also be changed by +/- 22º to supply concrete to any height of the curtain.

- To execute the **Chucás Dam (Costa Rica)**, a 200 m^3/h concrete plant was installed, which can make both vibrated and compacted concrete. For laying the RCC, a 24" Rotec tripper conveyor system was installed, set up inside the body of the dam and able to climb and adapt to changes of altitude of the works being executed at any given time. Vibrated concrete will be laid both via pumping, using a hydraulic distribution arm with a 42-metre scope, and by hydraulic bucket, to which end a 305-tm tower crane was brought onsite, which can also be employed for transporting supplies to the worksite.

- **Yesa Dam (Spain)**: The assembly of the aggregate plant to produce filters and drains for the dam started in February 2014, with an estimated total production of 480,000 tonnes. Nominal production of the plant is 200 t/h. The plant is made up of:

  - Primary: Reception of gravel from the borrowed fill and re-grinding of larger sizes.

  - Washing and sorting: Two stone washers clean organic and clay matter from the gravel. A screening tower made up of two sieves, sorts the gravel into five fractions.

  - Product restructuring: Filters and drains are restructured using a dosage hopper system. The gravel fractions may be amassed to produce concrete; excesses are ground in a sand mill.

  - Recycling of water: To reuse wash waters, a clarifier separates the water from sludge and mud.

Chucás Dam (Costa Rica).

UNDERGROUND WORKS

• **Valerio–Campobecerros section of the Madrid–Galicia High Speed Rail (Spain).** In 2014, the construction was completed on the first of the two routes for the high-speed rail (Spanish acronym AVE), with a 9.9-metre excavation diameter and a length of 6,780 metres. The tunnel boring machine employed in the project was being disassembled at year end and its components inspected to start excavation of the second line.

FCC also contributed and adapted its tunnel conveyor belt for this work, which has a total length of 6,800 metres, a 1,000 millimetre wide belt and power of 1,070 kW, which has assisted greatly with the extraction of materials.

• **Riyadh Metro (Saudi Arabia).** After being manufactured, the two 9.77 meter diameter tunnel boring machines were received in 2014 that were designed to excavate around 13 kilometres of tunnel for the construction of Line 5 of the Riyadh Metro. At year end, the machines were transported to the worksite to start assembly operations.

In addition, FCC has contributed four 380 kW locomotives to this project. During 2014, they were repaired and adapted at the machinery facilities so that they were apt for this new project.

Tunnel boring of Riyadh Metro (Saudi Arabia).

• **Lima Metro (Peru).** In 2014, FCC was awarded the project to execute lines 2 and 4 of the Lima Metro. Two 10.25 meter diameter tunnel boring machines were bought that will handle excavation, boring a total of 17,510 metres for Line 2 and 7,330 metres for Line 4. The construction of the tunnel and stations, about 1,000 metres apart, shall consist of works below ground water level in gravelly and sandy soils. To this end, fines injection equipment has been adapted and machine materials conditioned to facilitate excavation tasks.

• **Bucharest Metro (Romania).** FCC is working on the execution of Line M5 of the Bucharest Metro, consisting of the excavation of two parallel tunnels with a total project length of 12,000 metres. Works are being done with two tunnel boring machines with 6.6 metre excavation diameters.

Construction on the first section of both tunnels is complete and, at year end, the boring machines were undergoing complete disassembly and inspection tasks, in order to continue their excavation of the metro line.

INFRASTRUCTURE CONCESSIONS

In this section, we must distinguish between the activity of the Concessions Department on the one hand, which is part of FCC Construcción S.A. and on the other, the work of the subsidiary Globalvía, performing a separate analysis of the management carried out throughout 2014 by each of them.

FCC CONSTRUCCIÓN CONCESSIONS DEPARTMENT

The Concessions Department has carried out its activity in 2014, following the guidelines set out in the Group's Strategic Plan of March 2013 in relation to:

a) Generating enough cash to be able to reduce the Company's net debt. To this end, special consideration has been given to divestment activities for existing contracts. In this regard, 2014 was a particularly intense year for contacts with several investment funds, in order to explore possible divestment in specific concessionaire companies. This process was not concluded before year end.

b) Managing existing contracts in order to generate recurring EBITDA and/or minimise contributions from shareholders. With regard to the first point, improvements (rebalancing) are being negotiated with the awarding administration of the contracts at several concessions and the necessary actions are being carried out to improve project cash flows, with the aim of restructuring them and optimising value for possible disinvestment. With respect to the second, a clear example of applying these new directives was the signing of the agreement with 3i on the Mersey Bridge, which is detailed below.

c) Bidding for international projects in solvent and safe markets with medium-term growth perspectives, in line with the general strategy set out by the FCC Group. Likewise, bidding for contracts with solvent partners and submitting bids that are more solid and can be financed, under the premise of bringing investors (investment funds, public pension funds...) into the consortium through the sale of our stake (or part thereof) so that the overall cash flow for the Group is not negative. The awards of the Lima Metro and the aforementioned action with the Mersey Bridge are in line with these goals.

The most relevant events with regard to new projects in 2014 are:

• Line 2 of the Lima Metro, Peru (18.25%)
On 28 March 2014, the PROINVERSION Committee on Road Infrastructure, Rail Infrastructure and Airport Infrastructure Projects (Peruvian Agency to Promote Private Investment) awarded the new Lima Metro Consortium, in which FCC participates, the concession contract for the 'Line 2 and Av. Faucett – Av. Gambetta Section of the Basic Network of the Lima and Callao Metro' Project for the design, financing, construction, electromechanical equipment, systems equipment and supplying of rolling stock, operation and maintenance for a 35-year period. Five years of this are planned for the construction phase and the foundation stone was laid at the end of 2014.

With a total of 35 kilometres of underground track and 35 stations distributed over 13 districts of the Peruvian capital, estimates predict that the Lima Metro Line 2 will service some 665 thousand passengers per day. Total travel time will be 45 minutes, saving around 90 minutes for daily commuting. Today, it is the most important work in Peru and the surrounding region.

• Mersey Bridge (Liverpool, United Kingdom)
The financial closure and signing of the contract took place in April 2014. In parallel, the agreement was signed with the 3i infrastructures fund, for which FCC managed its 25% stake in the concessionaire, with this fund remaining with the financial rights linked to this holding.

CONCESSION ACTIVITY

The concession companies in which FCC has holdings, along with the most important events in 2014, are detailed below:

<u>National</u>

• Murcia Tram (50%)
In April 2009, the Murcia City Council awarded the construction, maintenance and operation of Line 1 of the Murcia Tram (17.76 kilometres and 28 stops) for 40 years. The contract was signed on 7 May 2009 and total investment is 185 million euros.

Operations started on 28 May 2011 after works had finished and the rolling stock and operation, electrification, ticketing and communications systems were integrated. Since that time, there have been more than six million passengers, with monthly demands surpassing 400,000 travellers and a current ramp up close to 30%.

The tram operated normally in 2014, with demand secured. Worthy of mention is that the City Council publicised its extension to the El Carmen neighbourhood at the end of 2014, for which the tender is expected during 2015. This section is key for closing the project and equipping it with greater content.

• Zaragoza Tram (16.60%)

The Zaragoza City Council awarded the TRAZA consortium, in which FCC participates, the tender to select the partner for a joint venture in charge of constructing, starting up, maintaining and operating Line 1 of the Zaragoza Tram that runs along 12.8 kilometres, for a 25-year period.

This joint venture company will be represented 20% by the Zaragoza City Council and 80% by TRAZA. Total investments are 342.2 million euros. The new service is considered to be the most modern in Spain due to its technology.

As all works on Line 1 were completed at the end of 2013, 2014 can be considered as the first year it is fully operational. The number of users on workdays is around 90,000 passengers, with peaks up to 105,000 travellers per day on certain dates.

• Urbicsa (29%)

This Company was awarded the public work concession contract to construct, maintain and operate the buildings and facilities in the Barcelona and Hospitalet de Llobregat City of Justice Project. The project consists of buildings with areas reserved for the use of the Catalan Autonomous Government (159,878 m^2) and complementary uses, offices and retail premises (26,628 m^2) and a 45,628 m^2 car park with 1,750 spaces.

The main management activities in 2014 for the maintenance of the Barcelona and Hospitalet de Llobregat City of Justice complex focused on the development of information tools to support the services, as well as activities to save energy, improve comfort and re-organise maintenance services.

• Cuenca Dual Carriageway (100%)

In 2007, the Ministry of Public Works awarded FCC Construcción the public work concession contract to conserve and operate the section of the A-3 and the A-31 that runs through the province of Cuenca for a 19-year period. Maintenance works have been done since the contract was signed.

Approximately 98% of the works had been executed at the end of 2014, with plans to finish in the first quarter of 2015. The concessionaire continues to operate smoothly and maintain the dual carriageway while it executes the planned works.

The most notable event last year was the financing contract closure with the European Investment Bank in April 2014, which let the concessionaire obtain the funds needed to finish the works under normal conditions.

• Torrejón de Ardoz Hospital, Madrid (5%)

In August 2009, the Autonomous Region of Madrid awarded the 30 year contract for the total management of Torrejón Hospital. It is the second hospital in the region in which both healthcare and non-healthcare services are included in the contract. It will have a surface area of 62,000 m^2, 240 beds and will provide services for 133,144 people. The total investment amounts to 101 million euros, 63.5 million euros of which correspond to the construction work. Servicios Ciudadanos Group represents 66.67% of the construction company. FCC has a 5% stake. Torrejón Hospital provides necessary healthcare to the towns of Torrejón de Ardoz, Ajalvir, Daganzo de Arriba, Ribatejada and Fresno del Torote.

Construction works finished in June 2011 and operations started in October, so that 2014 was its third year of full operations.

• Majorca Healthcare Centres (33%)

At the end of 2009, the Healthcare Service of the Autonomous Balearic Islands Region awarded the public works concession contract for the construction, conservation and operation of five healthcare centres and five basic healthcare units to the consortium, in which FCC Construcción participated.

The service levels required have been successfully met since operations began, which shows that the management of the work defined in the contract and the resolution of incidents raised have been a success.

• Cedinsa Eix Llobregat (34%)

In November 2003, Cedinsa was awarded the concession for the construction and operation of the shadow toll road between Puig-Reig and Berga, and the conservation and maintenance of the Sant Fruitós Bages - Puig-Reig section, all along the C-16 road (Llobregat Intersection). 2014 is the seventh full year of operation, where these sections have an average daily traffic intensity of 18,433 vehicles.

• Cedinsa d'Aro (34%)

In December 2005, Cedinsa was awarded the concession for 33 years of the shadow toll for the 27.7 kilometres of the Maçanet-Platja d'Aro dual carriageway, which consists of the design, construction and operation of sections of the C-35 between Vidreres and Alou and Maçanet and Vidreres, the Alou-Santa Cristina d'Aro section of the C-65 and the Santa Cristina d'Aro-Platja d'Aro stretch of the C-31. 2014 was the sixth full year of operation, reaching an average daily traffic intensity of 24,977 vehicles.

• Cedinsa Ter (34%)

In 2006, Cedinsa was awarded the shadow toll dual carriageway concession for the 48.6 kilometres of the Centellles–Vic–Ripoll section, of which 25.2 km are new. The concession period is for 33 years, with a 3 year construction period and a 30 year operation period. On 30 July 2011, the 3B section (the section of the C-17 main road, between Sora and Ripoll) was inaugurated and fully opened to traffic. Average daily traffic in 2014 was 23,236 vehicles. Cedinsa Ter was the only one of four Cedinsa concessionaires not financed at completion (it had five year financing with maturity date on 31 December 2014) and refinancing has been under negotiation with the Catalan Autonomous Government during 2014, which should be finalised during the first semester of 2015.

• Cedinsa Eix Transversal (34%)

In June 2007, the 33 year concession was awarded for 150 kilometres of the shadow toll dual carriageway corridor, for an investment of 838 million euros. The contract consists of the definition of the design, construction and operation of the Cervera – Caldes de Malavella (C-25) section, and most of the work is related to the widening of the current C-25. 2014 can be considered the first full year of operation of the dual carriageway, with average daily traffic of 12,027 vehicles. A notable event in 2014 was the financial start-up of the concession in May.

• Line 9 of Metropolitan Barcelona Metro (49%)

In late 2008, IFERCAT (Rail Infrastructures of Catalonia) awarded the 32 year contract for the construction, maintenance and conservation of 13 stations and the associated ventilation shafts on section I of Line 9 of the Barcelona Metro. The total investment amounts to 1,000 million euros, of which 876 million are for construction works. The concessionaire will be remunerated with an annual fee.

The construction work was completed in 2012 and all the stations of this public works concession are now in operation. In 2014, rebalancing was finalised with IFERCAT, which lets the public entity finance and undertake pending works (outside of the scope of the contract), so that all of section I is operational. The planned start-up date is February 2016, coinciding with the Mobile World Congress event in Barcelona.

• World Trade Center Barcelona, S.A. (16,52%)

Centre in the Port of Barcelona, which has an area of 31,000 m^2 of offices and retail premises, 9,000 m^2 of conference and meeting rooms and a 280 bed hotel.

• Metro de Málaga (10,01%)

Concessionaire Company responsible for administrative concession for the design, construction and operation of Lines 1 and 2 of the Malaga Metro.

The complete infrastructure is 14.5 kilometres long, of which 71% are underground, with 20 stations. It is worth mentioning that the concessionaire is responsible for the complete operation of the line, but is only responsible for constructing an initial phase (approximately 78% of the total section), where the Regional Government of Andalusia is in charge of the remaining sections, which will be incorporated to the concession perimeter as they are finished.

To this end, modifications to the concession contract were signed with the Regional Government of Andalusia in 2014. This agreement governs the parties' contractual relationship until the infrastructure is completed, estimated for 2017. The section constructed by the concessionaire that is 11.4 kilometres long with 18 stops, started operating in July 2014, with more than two million passengers last year.

• Ibiza-San Antonio Dual Carriageway (50%)

Construction and shadow-toll operation of the Ibiza-San Antonio widened road. One unique feature of the project is the burial of 1.3 kilometres of the dual carriageway in the San Rafael area. The road is 14 kilometres long and the concession is for 25 years. Average daily traffic in 2014 was 32,500 vehicles.

- **Marina Laredo, Cantabria (50%)**

After entering voluntary bankruptcy proceedings in 2013, the Company is currently being wound-up.

International

- **Underwater tunnel in Coatzacoalcos, Mexico (85.59%)**

In 2004, the concession contract was signed for the construction, financing, maintenance and operation of the underwater toll tunnel in Coatzacoalcos in the state of Veracruz (Mexico), which connects the city of Coatzacoalcos to the Allende greater urban area. The tunnel is 2,280 metres long, of which around 1,200 metres are underwater. The concession is for 37 years and works began in 2007. Linked to this infrastructure is Coatzacoalcos I Bridge, where toll revenues form part of the viability of this great work.

Design and execution of the underwater tunnel project represents the first work with these characteristics done in Mexico and, indeed, the first of this size anywhere in Latin America. The tunnel showcases technological innovation in the construction sector, using the immersed tunnel method technique, which enables sections of the reinforced concrete for the tunnel to be prefabricated in a dry dock, preparing them for flotation, towing them and placing them at the bottom of the riverbed. Scheduling of construction tasks is essential, as progress largely depends on opportune weather conditions, the flow of the River Coatzacoalcos, navigability and other factors. It is therefore a living work that requires attention at all times, given the permanently changing conditions of the natural setting in which it is located. The infrastructure has been designed to have a 100 year useful life.

The process of submerging the caissons used to make the underwater tunnel, the most complex milestone, was successfully completed in 2013-2014. The underwater tunnel is planned to start operations within 18 months.

- **Mersey Bridge in Liverpool, United Kingdom (33.33%)**

Contract for the design, construction, financing, maintenance and operation of the bridge over the Mersey River in Liverpool (United Kingdom). The most striking feature of the entire contract is the cable stayed bridge, with a total length of 2.13 kilometres (where the main bridge is 1 km and the approach viaducts measure 1.13 km), which will provide service to some 80,000 vehicles per day. The project also includes the renovation of 7 kilometres of access roads, 2.5 new kilometres of motorway and the renovation of a further 4.5 kilometres of motorway, as well as different transport links. The works are estimated to take 3.5 years, so that the date planned for opening to traffic is the end of the first semester of 2017.

The financial closure and signing of the contract took place in April 2014. In parallel, the agreement was signed with the 3i infrastructures fund, for which FCC managed its 25% stake in the concessionaire, with this fund keeping with the financial rights linked to this holding.

Mersey Bridge, Liverpool (United Kingdom).

GLOBALVIA

GLOBALVÍA

Globalvía's important news in 2014 was the start of its sales process by its two shareholders: FCC and Bankia. The management presentation took place in November for potential buyers, during which company information was set out in greater detail. This process is still underway in 2015 and should be concluded within the first semester of the year.

With regard to milestones in business developments, the purchase of the Seville Metro is surely the year's most important event. With this purchase, Globalvía is established as the first national private passenger railway operator.

The transaction entailed the acquisition of 32.77%, 34.01%, 11.15% and 10.30% of Sacyr, Iridium, Gea 21 and CAF, respectively, for a total figure of 159 million euros. The Public Works Agency of the Andalusian Regional Government kept its 11.77% holding.

The Seville Metro covers 18 kilometres and has 18 stations in operation, crossing through the municipalities of Mairena del Aljarafe, San Juan de Aznalfarache, Seville and Dos Hermanas. The suburban line started running in April 2009 and had 14 million users in 2012. The sales agreement was authorised by the Andalusian Government and the European Investment Bank (EIB).

Another important acquisition was the Barcelona Tram. On 30 June, Globalvía successfully concluded the acquisition of 11.78% and 12.88% of Acciona's holdings in the companies that operate the two tram lines in the city of Barcelona, Tramvia Metropolita S.A. and Tramvia Metropolita del Besòs S.A. Thanks to this transaction, Globalvía increased its participation, now controlling 42.44% and 43.05% of these companies. At the end of December 2014, it acquired a further 0.95% in both companies, so that its holdings as of 31 December 2014 were 43.39% and 44% respectively.

Seville Metro (Spain).

The purchase of 3.53% and 5.30% of holdings in the Sóller tunnel also took place in 2014. The auction was held on 26 March, at which 97,839 shares representing 3.531393% of the concessionaire were acquired, for a value of 350,548.04 euros. On 3 November, the share purchase agreement was notarised, through which 146,705 shares were acquired, representing 5.295158% of the Sóller tunnel for a total value of 701,249.90 euros. After both acquisitions, Globalvía's percentage holding in the company is 98.055765%.

Under the divestment heading, Globalvía sold 55% of its stock in Phunciona. In April, it sold 55% of Globalvía Infraestructuras S.A. shares in Phunciona (Hospital del Sureste) to the investment fund LBEIP, owned by Lloyds Bank.

Globalvía Infraestructuras continues to hold an 11.67% stake in this concessionaire.

The liquidation of Concesiones Aeroportuarias also took place, through which GVI received the pertinent sum from Aerocas.

Meriting mention with regard to construction milestones are:

- The inauguration of **Section 1 Nuevo Necaxa-Ávila Camacho (Mexico)**. On 17 September 2014, Mexican President Enrique Peña Nieto inaugurated the Nuevo Necaxa-Ávila Camacho section (TC1) of the 37 kilometre Mexico-Tuxpan motorway, which started operating the next day, 18 September.

  The TC1 consists of six tunnels with a total length of 8,047 metres and 12 bridges spanning 3,165 metres, of which the Ing. Gilberto Borja Navarrete Bridge over the River San Marcos is noteworthy, with a height of 225 metres, making it the second highest viaduct in the world.

  The motorway was built employing the latest and most modern traffic and safety management systems and was nominated as Mexico's first smart motorway by the Secretariat of Communications and Transport (SCT).

  This last section of the Mexico–Tuxpan corridor reduces travel time from the country's capital to the Gulf of Mexico from 6 hours to 2 hours and 45 minutes, thus becoming the closest maritime port to the Valley of Mexico with regard to the time the journey takes.

- Signing of the Supreme Decree that gives the green light to the **Urban Sector Project in Chile (Chile)**. The Supreme Decree was signed by the President of the Republic in February, starting the project tender phase.

  With the official publication of the Supreme Decree at the end of October, the final tender stage started, which has involved continuing technical tasks with the six companies invited to participate –after a previous prequalification period– to subsequently start the awarding process, which is expected to conclude in March 2015. Thus, the construction phase will start at the end of the first quarter of 2015.

  A total investment of 215 million US dollars is estimated, including civil works, toll systems and traffic management, as well as the installation of an electronic collection system using a free flow TAG device.

  The conversion of this section to meet urban standards involves, among other advances, the expansion of the roadways to four lanes on the first 4.5 kilometres, six new crossings, complete continuity of the one-way service roads in both directions and the construction of bike lanes and pedestrian walkways.

  Both involve safety works on the motorway with continual video surveillance along the sector. There will be new service areas and emergency care.

  Lastly, the modification of the Lampa toll plaza, in which each direction will have three lanes with a free-flow system, while the side areas of the toll plaza will have three manual payment booths, thus becoming the first concession to change the current toll payment system to the free flow system.

  The construction period will be 28 months, with completion thus scheduled for the first semester of 2017.

- Opening of **Cuesta Las Chilcas (Chile)**. This section's opening to traffic has entailed substantial improvements in safety along this strip and much less traffic congestion.

  Improvement works resulted in the road now having two lanes running north (toward the coast) and three lanes toward the south and Santiago de Chile.

Malaga Metro (Spain).

- Inauguration of the **Malaga Metro**. On Wednesday, 30 July 2014, the Malaga Metro was inaugurated, making this city the sixth in the country with this mode of transport. The section that has started running is lines 1 and 2, connecting the city's sports pavilion to the El Perchel interchange station, located next to the Renfe station. The section is 12 kilometres long with 17 stations, representing 81% of the total network planned.

Under the heading of new management features of each of the assets, we would like to point out the following:

- Concesiones de Madrid and Ruta de los Pantanos finally had their rebalancing right recognised, owing to the higher cost of expropriations.

- The MOU was signed by Scutvias. After the implementation of the free-flow toll on the Beira Interior, Abrantes–Guarda motorway by the Administration, the concessionaire started its rebalancing process. On 23 June, agreement was reached with the Administration, resulting in the signing of a new contract, which entailed changing from a revenue scheme with traffic risk (shadow toll) to one that combines availability payments with explicit tolls, including a guaranteed minimum revenue mechanism. We must point out that this agreement is pending approval by the financing syndicate.

- The Malaga Metro signed the rebalancing of the concession contract and novation of the financial agreement. The signing on 16 July cleared the way for the inauguration and operational start-up at the end of the month.

- Lastly, the novation of the financial agreement for Metro Ligeros de Madrid took place in December, which involves the delay and mitigation of the execution of the original guarantee.

Along other lines, in 2014 Globalvía continued to consolidate its international leadership position in transport infrastructure management, holding the top places in the ranking published by the magazine *Public Works Financing*.

CONCESSION ACTIVITY

Concessions that Globalvía has on 31 December 2014 include:

• Itata Motorway, Chile (100%)
Holder of the 13 year concession for the construction and operation of the Concepción-Chillán toll motorway, with a length of 98 kilometres. It is operational and had average daily traffic in 2014 of 15,224 vehicles.

• Aconcagua Motorway, Chile (100%)
Concession company responsible for the 30-year administrative concession for the construction and operation of the toll along the Route 5 Santiago-Los Vilos stretch of motorway, with a total length of 218 kilometres. There are three main toll plazas that handle traffic in both directions. Average daily traffic in 2014 was 21,990 vehicles.

Aconcagua Motorway (Chile).

• Concesiones de Madrid, Spain (100%)
Administrative concession of the section of the M-45 ring road to Madrid between the O'Donnell junction and the N II, it has a total length of 14.1 kilometres, the concession is for 25 years and will be operated as a shadow toll road. The concession has been in operation since 2002 and in 2014 had average daily traffic of 75,357 vehicles.

- **Ruta de los Pantanos de Madrid, Spain (100%)**

This 25-year concession is for the construction, management and maintenance of the 21.8 long duplication of the roadway on the M-511 and M-501 roads between the M-40 and M-522 in the Autonomous Region of Madrid. The concession has been operating since 2002 and in 2014 had average daily traffic of 37,484 vehicles.

- **San Jose – Caldera Motorway, Costa Rica (100%)**

Concession company in charge of the administrative concession to construct and operate the San Jose-Caldera toll motorway, which connects the country's capital with one of the Pacific's major ports. The road is 76.8 kilometres long and the concession is for 25 years. It became operational in January 2010 and average daily traffic in 2014 was 45,989 vehicles.

- **Sóller Tunnel in the Balearic Islands, Spain (98.06%)**

Concession company responsible for the administrative concession to construct and operate the Sóller toll tunnel that passes through the Alfabia Sierra on the Palma de Mallorca to Sóller corridor. The tunnel is 3.1 kilometres long and the concession is for 33 years. The tunnel has been in operation since 1989 and in 2014 had average daily traffic of 4,355 vehicles.

- **Envalira tunnel in Catalonia, Spain (80%)**

Concession company responsible for the administrative concession to design, construct and operate the Envalira toll tunnel motorway that links the winter resort of Grau Roig with Pas de la Casa, as well as improving transport between Andorra and France, on the Barcelona–Toulouse route. The tunnel is 2.9 kilometres long and the concession is for 50 years. The tunnel has been in operation since 1998 and had average daily traffic of 1,679 vehicles in 2014.

- **Autopista Central Gallega, Spain (61.39%)**

Company responsible for the administrative concession to build and operate the Santiago de Compostela-Alto de Santo Domingo toll motorway for a period of 75 years. The road is 56.8 kilometres long and it became operational in 2005. Average daily traffic in 2014 was 4,894 vehicles.

- **Autoestrada, Portugal (50%)**

Holder of the 30-year concession for the construction and operation of the mixed toll motorway between Vilareal and Braganza, running for 194 kilometres. It became fully operational in September 2013, with average daily traffic of 4,844 vehicles.

- **M-407, Madrid, Spain (50%)**

This concession company is responsible for the design, construction, maintenance and operation of 11.6 kilometres of the M-407 between M-404 and M-506 as a shadow toll motorway. Concession awarded in August 2005 and operational since 2007, with average daily traffic in 2014 of 30,313 vehicles.

- **Nuevo Necaxa-Tihuatlán, Mexico (50%)**

This concessionaire company is responsible for the design, construction and operation of the 85 kilometre Nueva Necaxa-Tuhuatlán motorway located between the states of Veracruz and Puebla and is part of the main thoroughfare linking Mexico City and Veracruz. This dual carriageway is divided into two sections: TC1 Nuevo Necaxa-Ávila Camacho, 36.6 kilometres long, with four lanes, to be constructed and operated via availability payment, and TC2 Ávila Camacho-Tihuatlán, 48.1 kilometres long, 2 lanes, to be operated under a user toll scheme. The Ávila Camacho-Tihuatlán subsection, which is co-owned by Globalvía and Grupo ICA, was inaugurated on 25 November 2012. The following day, 26 November, the section opened to traffic and began operating under the user toll scheme in the Miahuapan toll area. On 17 September 2014, the new Nuevo Necaxa-Ávila Camacho section (TC1) of the 37 kilometre Mexico-Tuxpan motorway was inaugurated, and started operating the next day, 18 September. In 2014 it had average daily traffic of 3,594 vehicles.

- **M-50 Dublin, Ireland (50%)**

Concession awarded for the construction and 35-year operation of the M-50 motorway, Dublin's main ring road. The project consists of the maintenance of 31 kilometres of motorway. This was executed on an availability payment basis that began operation in September 2010. In 2014 it had average daily traffic of 113,569 vehicles.

- **N6 Galway–Ballinasloe, Ireland (45%)**

Company awarded the concession for the construction and operation of the N6 Galway–Ballinasloe motorway along the east-west strategic corridor from Galway to Dublin, fulfilling the requirements of the National Development Plan. This toll motorway is 56 kilometres long, with a 30 year concession period. It became operational in December 2009 and average daily traffic in 2014 was 10,819 vehicles.

• Costa Cálida Motorway, Murcia, Spain (35.75%)
Company awarded the administrative concession for the construction and operation of the Cartagena–Vera toll motorway for a period of 36 years. The toll road is 98 kilometres long, and there are a further 16 kilometres of toll-free road for internal traffic on the Cartagena ring road. Average daily traffic in 2014 was 1,767 vehicles.

• Alicante ring road, Spain (25%)
Concession company awarded the construction and operation of the 28.5 kilometre Alicante ring road motorway for 36 years. The concession has been in operation since December 2007 and in 2014 had average daily traffic of 4,795 vehicles.

• Scutvias, Autoestradas da Beira Interior, Portugal (22.22%)
Concession company responsible for the administrative concession for the construction and operation of a shadow toll motorway between Abrantes and Guarda. The road is 178 kilometres long and the concession is for 30 years. It includes the operation of three petrol stations. It has been operating since 2005 and average daily traffic in 2014 was 5,565 vehicles.

• R-2 Henares Motorway, Madrid, Spain (10%)
Company awarded the contract to construct and operate the R2 toll motorway which runs for 62 kilometres between the M-40 and Guadalajara. It has two sections: the inner section, from the M-40 to M-50, is the alternative to avoid traffic jams on the A-1 at San Sebastian de los Reyes and Alcobendas; the outer section is the alternative to the heavy traffic on the A-2 between Guadalajara and the M-50. The concession is for 24 years and average daily traffic in 2014 was 4,325 vehicles.

• Autovía del Camino, Spain (9.1%)
Company awarded the contract to build and operate the Pamplona-Logroño dual-carriageway under the shadow toll system. It has a total of 70.25 kilometres and has been operating since late 2004. Average daily traffic in 2014 was 11,457 vehicles.

• Barajas Metro in Madrid, Spain (100%)
Concessionaire responsible for the administrative concession for the development, construction and operation of the Barajas-New Terminal Building T-4 metropolitan metro section of line 8. The track length is 2.5 kilometres and the concession is for 20 years. It has been in service since 2007 and in 2014, the number of passengers was 1,720,578.

• Parla Tram in Madrid, Spain (85%)
Company awarded the 40-year contract for the construction, supplying of rolling stock, operation and maintenance of the 8.5 kilometres of two-way track for the Parla Tram. The concession was awarded in 2005 and began operating in June 2007, with annual traffic of 4,620,692 passengers in 2014.

• Transportes Ferroviarios de Madrid, Spain (49.37%)
Holder of the 32-year concession to extend Line 9 of the Madrid Metropolitan Metro between Vicálvaro and Arganda, which is 20 kilometres long, has three intermediate stations and was used by 5,870,049 passengers in 2014.

• Metro Ligero de Sanchinarro, Madrid, Spain (42.5%)
In 2006, Metro Ligero de Madrid, S.A. was awarded the 30-year concession contract for the operation and maintenance of 5.4 kilometres of the Pinar de Chamartín-Sanchinarro-Las Tablas light railway line that connects Lines 1 and 4 of the Madrid Metro. This line has been operational since May 2007 and the concession period is 30 years. In 2014, 4,410,638 passengers used the light metro.

• Tramvia Metropolità–Trambaix, Catalonia, Spain (43.39%)
The Baix Llobregat line runs along Avenida Diagonal, passing through Sant Feliú de Llobregat to Cornellá. The project was awarded in 2000 by the Barcelona Autoritat del Transport Metropolità (ATM) and began operating in 2004. This infrastructure has 29 stops, 3 interchange stations with the underground metro system and one with Renfe railways and a total length of 15.1 kilometres. In 2014, it was used by 16,343,197 passengers.

• Tramvia Metropolità del Besos–Trambaix, Catalonia, Spain (44%)
This tram links the north-eastern part of Barcelona with the neighbouring cities of Sant Adrià del Besòs and Badalona. The concession was awarded by ATM in

2002. The first phase began operation in May 2004 and the complete system began operation in 2008. It has 27 stops, eight interchange stations with the underground metro system and one with Renfe and a length of 14.1 kilometres. In 2014 it was used by 8,150,521 people.

• Malaga Metro, Spain (15.03%)
Concessionaire responsible for the administrative concession for the design, construction and operation of Lines 1 and 2 of the Malaga Metro. The length of the tracks is 16.5 km, of which 71% are underground with 19 stations along the route. The partial inauguration of the line took place on 30 July 2014 and has had over 2 million passengers between this time and the end of 2014.

• Seville Metro, Spain (88.23%)
Concession company responsible for the administrative concession for the design, construction and operation of Line 1 of the Seville Metro. The length of the tracks is 18 km, of which 60% are underground with 22 stations along the route. In 2014 it was used by 14,451,702 people.

• Terminal Polivalente de Castellón, Spain (78.68%)
Company awarded the contract for the construction and operation of a 9.5 hectare terminal in the Port of Castellón to handle containers and general cargo. It has been operating since 2005 and 154,960 containers were shifted in 2012.

• Phunciona Gestión Hospitalaria, S.A.-Hospital del Sureste, Madrid, Spain (66.66%)
Concession company responsible for the administrative concession to construct and comprehensively manage the preventive and corrective maintenance and replacements; cleaning service; collection of urban and medical wastes; internal-external transport; porters, administrative, reception, IT and switchboard personnel; surveillance and security; sterilisation, laundry, restaurant/catering, pest control; warehouse and distribution management; and road and garden upkeep. The hospital had 110 inpatient beds in 2007, which can be increased to 148 in 2017 and an estimated area of 37,000 metres. It has been in operation since 2007.

• Son Dureta Hospital in Palma de Mallorca, Spain (33%)
Company awarded the contract for the construction and operation of a new leading hospital in the Balearic Islands. The hospital has a surface area of 193,088 m^2, 1200 beds and will provide service to over a million people. The concession is for 30 years and was opened to the public in 2010.

• Port Torredembarra, Tarragona, Spain (24.08%)
Concession company responsible for the administrative concession to build, operate and maintain a 714 berth marina in the city of Torredembarra, plus retail space and ships' stores. Currently being operated.

• Santiago de Chile Airport, Chile (14.78%)
Concessionaire responsible for the administrative concession of the construction and operation of the Arturo Merino Benítez International Airport in Santiago de Chile. The second runway built by the Ministry of Public Works entered into service in September 2005, leading to improved airport operations. During 2014 the airport registered 15,350,500 passengers.

To summarise, the table below shows all the infrastructure concessions managed by Globalvía and FCC as of 31 December 2014:

CONCESSION	COMPANY	TYPE	INVESTMENT (M of €)	DURATION (YEARS)
Autopista Central Gallega	Globalvía	Toll motorway	303	75
Autopista de la Costa Cálida (Murcia)	Globalvía	Toll motorway	649	36
San José-Caldera Motorway (Costa Rica)	Globalvía	Toll motorway	264	25
N6 Galway–Ballinasloe (Irlanda)	Globalvía	Toll motorway	340	30
R-2 Autopista del Henares	Globalvía	Toll motorway	563	24
Alicante Ring Road	Globalvía	Toll motorway	445	36
Seville Metro	Globalvía	Railway infrastructure	634	37
Túnel d´Envalira (Andorra)	Globalvía	Toll tunnel	54	50
Sóller Tunnel	Globalvía	Toll tunnel	51	33.5
Autovía del Camino (Navarra)	Globalvía	Shadow toll motorway	356	30
M-45 (Madrid)	Globalvía	Shadow toll motorway	214	34
M-407 (Madrid)	Globalvía	Shadow toll motorway	74	30
M-404 (Madrid)	Globalvía	Shadow toll motorway	162	30
Ibiza-San Antonio widening	FCC	Shadow toll motorway	101	25
Autoestradas da Beira Interior (Portugal)	Globalvía	Shadow toll motorway	933	30
Ruta de los Pantanos	Globalvía	Shadow toll motorway	107	25
Coatzacoalcos Tunnel (Mexico)	FCC	Toll tunnel	185	30
N. Necaxa-Tihuatlán (Mexico)	Globalvía	Toll motorway	493	30
M-50 Dublin (Ireland)	Globalvía	Availability payment motorway	419	35
Itata Motorway (Chile)	Globalvía	Toll motorway	198	15
Aconcagua Motorway (Chile)	Globalvía	Toll motorway	457	13
Trasmontana Motorway (Portugal)	Globalvía	Shadow toll and real toll motorway	706	30
Cedinsa Eix Llobregat	FCC	Shadow toll motorway	174	33
Cedinsa d'Aro	FCC	Shadow toll motorway	54	33
Cedinsa TER (Vic-Ripoll)	FCC	Shadow toll motorway	221	32
Cedinsa Eix Transversal	FCC	Shadow toll motorway	712	33
Conquense Dual Carriageway	FCC	Shadow toll motorway	120	19
Parla Tram	Globalvía	Railway infrastructure	104	40
Baix Llobregat Tram	Globalvía	Railway infrastructure	249	25
Besòs Tram	Globalvía	Railway infrastructure	225	27
Murcia Tram	FCC	Railway infrastructure	183	40
Zaragoza Tram	FCC	Railway infrastructure	345	35

CONCESSION	COMPANY	TYPE	INVESTMENT (M of €)	DURATION (YEARS)
Line 9 of Madrid Metro	Globalvía	IRailway infrastructure	124	32
Barajas Metro	Globalvía	Railway infrastructure	47	20
Malaga Metro	FCC/Globalvía	Railway infrastructure	504	35
Sanchinarro Light Metro	Globalvía	Railway infrastructure	293	30
Line 9 of Barcelona Metro	FCC	Railway infrastructure	1,000	32
Laredo Marina (Cantabria)	FCC	Marina	70	40
Port Torredembarra	Globalvía	Marina	15	30
Terminal polivalente de Castellón	Globalvía	Logistics port	35	30
Port of Gijón Bulk Terminal	Globalvía	Logistics port	17	30
Santiago Air Terminal (Chile)	Globalvía	Airport	249	21.5
Hospital del Sureste (Madrid)	Globalvía	Hospital	71	30
Son Dureta Hospital (Mallorca)	Globalvía	Hospital	243	31.5
Torrejón Hospital	FCC	Hospital	137	30
Mallorca Health Centres	FCC	Healthcare building	22	11
World Trade Center Barcelona	FCC	Services building	134	50
Barcelona City of Justice and Hospitals (URBICSA)	FCC	Services building	263	35

SUBSIDIARIES AND HOLDING COMPANIES

BBR PTE

Throughout 2014, BBR PTE, the Group company specialising in post-tensioning and special techniques, continued working on developing and implementing building solutions and processes, including the work done on the following construction projects:

Arch Bridge in Almonte (Spain)
The temporary cable-stayed arch system for the viaduct in Almonte is composed of a total of 208 non-simultaneous temporary cables made of a variable number of strands, divided into two branches (north and south) each comprising two pulling bundles and two retaining bundles. The bottom ends of the cables are anchored to the arch by the pulling cables and the retaining cables are anchored by the footings of the two piers closest to the start of the arch. On its part, the top ends of up to the first eight sets are anchored to the head of the arch pier and the rest are anchored to a temporary metal tower.

After having placed the first cable sets that are anchored to the pier, the two metal pylons were raised by turning or rotation. After the temporary pylons were in place, tasks to finish installing the cables can continue.

For raising the two towers, 55 metres high and weighing some 500 tonnes, two heavy-lifting jacks were employed, each with a 230 tonne capacity and acting as pulling devices. Another two jacks, each with an 85 tonne capacity, were employed as safety restraints at the end of the operation.

LNG tank in Pori (Finland)
BBR PTE SL is working on the construction of a new LNG tank in the Port of Pori in Finland.

The post-tensioned concrete tank is 35.1 metres high with a 41.9 metre diameter. Post-tensioning is comprised of 42 horizontal rings and 72 vertical loops. The entire structure has 185,000 kilos of post-tensioning.

LNG tank in Pori (Finland).

Pedestrian walkways in Doha (Qatar)
BBR PTE S.L. is taking part in the construction of footbridges in Doha (Qatar). This work consists of two identical cable-stayed footbridges. Each footbridge has two pylons with a total of 92 stainless-steel locked coil cables.

After completing post-tensioning tasks, the cables for both footbridges were installed during 2014. The different tensioning stages were executed after the initial assembly, as well as their final adjustments.

PROSER
PROYECTOS Y SERVICIOS, S.A.

PROSER, PROYECTOS Y SERVICIOS, S.A.

ENGINEERING
The company Proyectos y Servicios, Proser, performs studies and drafts engineering reports for civil works and supervises them. Among the contracts awarded during the year, apart from the different support jobs performed for FCC Construcción, the following are the most outstanding:

Hydraulic works

- Project for waste discharge collecting and basic WTP project for San José del Valle, Cádiz, for the Environmental and Water Agency of the Andalusian Regional Government. The area of the plot for the future WTP is around 8,500 m^2 and is being designed for a population equivalent of 5,700. The waste discharge area has sewage pipes running for more than three kilometres.

Work control and supervision

- Control and supervision of works for their inspection related to the concession: Execution, maintenance and operation of La Plata Dual Carriageway (A-66) between Benavente and Zamora. Sections: A-6 Castrogonzalo-Santovenia del Esla, Santovenia del Esla – Fontanillas de Castro and Fontanillas de Castro-Zamora. Zamora Province. The total length of the section is 49 kilometres, with seven junctions and a project execution period of 24 months.

La Plata Highway A-66 between Benavente and Zamora (Spain).

R&D&i

- **Internal R&D&i projects.** In 2014, PROSER executed the tasks for the project 'New criteria for decision-making on underground civil works projects in a globalised market', which consists of creating a methodology that facilitates decision-making due to defining and assessing the possible risks stemming from underground works on international projects. This project is finished and in the final certification phase.

- **National R&D&i calls for tenders.** In 2014, PROSER participated on several national tender submissions, generally in consortiums with FCC Construcción and FCC Industrial. These included participation on the Accessible Citizen Project for the national Innterconecta-Andalucía R&D call for tenders and its role as FCC's advisor in designing tunnels for the INGETUR Project on the CIEN call for tenders.

- **European R&D&i programmes.** A Throughout 2014, PROSER participated on important projects, including In2Rail, part of the H2020 Framework Programme, with over 50 participants, for the comprehensive improvement of European railway infrastructures. PROSER's contribution was also significant in the consortium on the Green Toll Project of the LIFE+ Programme and the IRISMART proposal, a project led by ADIF within the H2020 Framework Programme.

FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS, S.A.

FCC Industrial is the Servicios Ciudadanos' Group company that specialises in the design and execution of industrial works. In 2014, the consolidation took place of the merger of FCC Actividades de Construcción Industrial (FCC ACI) and FCC Servicios Industriales y Energéticos (FCC SIE) to form the company FCC Industrial e Infraestructuras Energéticas, S.A. which operates under the name of FCC Industrial.

After the merger, the company has worked on the following lines of business:

- Turnkey projects (EPC).
- Industrial construction.
- Electromechanical facilities.
- Maintenance and energy efficiency.
- Systems.

Company operations are divided into four broad divisions::

- LNG Projects and Industrial Construction Division.
- Oil & Gas Logistics and Warehousing Division.
- Electrical Distribution Grids Division.
- Electromechanical Installations, Maintenance and Systems Division (IMS).

In turn, FCC Industrial has staff divisions that provide support to production activities and an operating division in the Americas, with permanent offices in Mexico, Panama and Colombia.

Each of the operating divisions is equipped to provide its services within the company's different lines of business. Thus in 2014 and by way of example, electric grid projects were executed, both as turnkey projects (EPC) and as installation and assembly or maintenance for electric companies.

2014 was also the company's year to consolidate its international presence, with projects open in Mexico, Panama, Peru, Chile, Colombia, Algeria, the United Kingdom, Portugal and Finland.

EIn 2014, FCC Industrial had turnover of 172 million euros, a 21% year-on-year fall. International business accounted for 23% of turnover.

This figure was affected by Matinsa's deconsolidation from FCC Industrial in the last quarter of 2014.

Gross operating profits were 6.24 million euros, representing a 52% decrease compared to 2013.

During 2014 FCC Industrial obtained contracts totalling 227 million euros, with an order book backlog of 186 million euros. Of this portfolio, 40% is for contracts abroad.

Noteworthy projects on which FCC Industrial participated in 2014 include:

Turnkey projects (EPC)

- Double-containmentLNG cryogenic tank with a 30,000 m^3 capacity in Pori (Finland) for Skangas.
- Expansion of a regasification plant to increase its production capacity by 50% in Quintero (Chile) for GNL Quintero.
- Increased LPG storage capacity at Callao Terminal (Peru) for Vopak Peru, with the installation of three LPG storage spheres of 30,000 bls each, as well as the auxiliary and tank loading facilities and an LPG pipeline to connect to port cargo facilities.
- Expansion of the zinc leaching plant in Gazahouet (Algeria) for Alzinc.
- Underground high-voltage double-circuit 115 kV line that is 4.65 kilometres long; 2 MV lines 2.7 kilometres long; and a GIS substation with three bays in Veracruz (Mexico) for CFE.
- Underground high-voltage double-circuit 115 kV line, 14 MV lines and a GIS substation with five bays in Campeche (Mexico) for CFE.
- Simple circuit 500 kV high-voltage aboveground line, with 114 metal towers and 45 kilometres of conductors and fibre optic in Colombia for EPM.
- Modernisation of the two 115 kV substations in Colombia for ESSA (EPM subsidiary).

Industrial construction

- Musel-Llanera gas pipeline, Otero section for Enagas.
- Mariña-Lucense gas pipeline in Lugo (Galicia) for Gas Natural Fenosa.
- Intersection by horizontal directional drilling, River Tagus, Estremera for Enagas.
- Coslada Theatre and Cultural Centre (Madrid) for Hipercor.
- Data centre in Murcia for the Iecisa/Sixsigma joint venture.
- Refurbishment of buildings at Castellana 278 and 280 in Madrid for Metrovacesa.
- Structure for Hotel Ayre in Atocha, Madrid, for El Corte Inglés.

Assemblies and facilities (integration of electromechanical installations, control, communications, fire-fighting protection and safety)

- Refurbishment and modernisation of facilities at several hotels belonging to the H10 Hotels chain.
- Rehabilitation of the old Palacio de Albaida, for the conversion into the new headquarters of Omega Capital, S.A. on Fortuny Street in Madrid.
- New headquarters of the General Treasury of the Social Security in San Sebastian.
- Refurbishment and expansion of the National High Court building on Génova Street in Madrid.
- Expansion of airfield beacon installation at Malaga Airport for AENA.
- Comprehensive rehabilitation and upgrade of the cooling system equipment in the Torre Picasso to new standards.
- Montilla Secondary School (Cordoba).
- Buildings and substations for Orange.
- Electrical installations, systems and signage in the tunnels on the A8 stretch of the Muros-Dueñas motorway in Asturias.
- Catenary for the Atlantic high-speed railway line for ADIF.
- Lines 1 and 2 of Malaga Metro, delivery of work and start-up.
- Vigo-Maceiras civil protection facilities for ADIF.
- Signalling on the Tarragona-Vandellós section for ADIF.
- New Luis ‘Chicho’ Fábrega Hospital in Panama.
- New Hospital Complex in Panama.
- Vía Brasil, Panama City.

Maintenance and energy efficiency

- Renewable energies
  - Operation and maintenance of the 50 MW solar thermal plant in Palma del Río (Córdoba) for Guzmán Energía.
  - Operation and maintenance of the 50 MW solar thermal plant in Villena (Alicante) for Enerstar Villena.
  - Operation and maintenance of a 20 MW photovoltaic power generation plant in Espejo (Córdoba).
- Comprehensive facilities
  - Cervantes Institute headquarters on Alcalá Street, Madrid.
  - Torre Madrid in Plaza España, Madrid.
  - Abbot Laboratories and Amo (Famar) Pharmaceutical Laboratories.
  - Southern Regional Air Navigation Control Centre for AENA.
  - Terminal 2 at Barcelona Airport for AENA.
  - Palma de Mallorca Airport for AENA.
  - Silken Hotels throughout Spain.
  - Torre Castellana.
  - Treasury of the Social Security in Granada.
  - Treasury of the Social Security in Cordoba.
  - Prisa Group
    - Sogecable production centre in Tres Cantos.
    - Storage and distribution warehouse for Santillana publishing house.
    - Headquarters of El País newspaper and the headquarters of Cadena Ser radio station on Madrid’s Gran Vía.
  - Realia
    - Eisenhower Business Centre, Madrid.
    - East Tower (KIO Towers).
    - Méndez Álvaro Business Centre.
    - Ferial Plaza Shopping Centre in Guadalajara and Plaza Norte in Leganés.
  - Systems and power in galleries and tunnels at Barajas Airport for AENA.
  - Several motorways in Catalonia for Cedinsa.
  - Motorway and tunnels in Madeira.
- Energy efficiency
  - New Tres Cantos (management for private developers). These are global, integrated actions for the maintenance and operation of street lighting for town councils, with planned investments aimed at improving the energy efficiency of the installation through actions aimed at saving, measuring and monitoring energy consumption.
    - Madrid City Council, Lot 3.
    - Cadiz City Council.
    - Los Palacios City Council (Seville).

- Villafranca City Council (Seville).
- Totana City Council (Murcia).

Electric grids

- Maintenance and construction of new works for MV/LV distribution grids in the following areas of Barcelona: Districts 5, 6, 7, 8, 9 and 10 - St. Adriá – Sta Coloma – Badalona (Catalunya Centros Division) to be done for Endesa Distribución Eléctrica during the June 2013 - May 2016 period.
- Maintenance and construction of new works for MV/LV distribution grids in these areas: Pozuelo/Villalba, Albacete, León, Zamora, Levante and Toledo for Iberdrola. Awarded framework contract for the next three years.
- Maintenance and construction of new works for MV/LV distribution grids and substation maintenance for Gas Natural Fenosa, in the areas of Madrid, Toledo, Ciudad Real and Segovia.
- Placement of digital measurement equipment in central Seville and Valladolid.
- Reform of aboveground 33 and 11 kV power lines in Scotland.

Systems

- Creation of replicas of vehicle gunner controls, equipped with electronic cards developed by FCC Industrial specifically for these controls that enable interaction with the Steel Beasts simulation software, which is the simulation software most commonly used by NATO armies.
  - Production of 83 replicas of gunner controls for Centauro vehicles.
  - Production of 24 replicas of gunner controls for Pizarro vehicles.
  - Production of 5 replicas of gunner controls for RG31 vehicles.
- ITS systems in the Muros-Dueñas tunnels in Asturias.
- ITS systems in the EIX-Transversal tunnels in Catalonia.
- ITS systems in the Nuevo Necaxa tunnels in Mexico.
- ITS systems in tunnels in Madeira.

MEGAPLAS S.A.

Megaplas S.A. is the FCC Group company that provides corporate image services for interior and exterior elements within a Europe-wide scope. Services are implemented and provided via its two production and management centres in Madrid and Turin.

In 2014, the company had turnover of 9.1 million euros, a 5.3% year-on-year increase. International business accounted for 46% of turnover.

The gross operating profit amounted to 0.1 million euros, representing an increase of 267% compared to 2013.

During 2014, Megaplas S.A. obtained contracts totalling 9.9 million euros, with an order book backlog of 1.3 million euros. Of this order book, 15% is for contracts abroad.

Within the diversification of services that the company provides to its clients and in line with its philosophy of focusing on customers' needs, Fiat Industrial chose Megaplas as its image suppliers for the interiors of their NH Agriculture brand dealerships. The implementation of this internal identification programme started in Spain in 2014, and will be extended over the next two years to the rest of Europe. Actions range from interiors and emergency signage to furniture, as well as all merchandising products.

In the Las Caletillas Service Station on the island of Tenerife, Megaplas installed the first Disa BIRD image on its two canopies. Each canopy, fully technically developed by Megaplas, is a separate element made of fibreglass and decorated with Disa colours and the Disa logo and lit by LEDs 10 metres long, a height of nearly 8 metres and two-sided fuel pumps.

Megaplas has supplied and installed the internal signage inside the Malaga Metro's Line 1 and 2 stations.

The Fiat Group remains one of Megaplas's key accounts, as it is the exclusive supplier of exterior images for all its brands (Alfa Romeo, Fiat, Lancia, Jeep and Abarth) in Spain, Portugal, France, Belgium, Holland, Italy and Greece, besides being an approved supplier for the sale of their logos worldwide. At the beginning of 2014, Metaplas Italia SPA was awarded the tender contract for the interiors of the Fiat Group's European authorised dealers, which involves more than 500 dealers.

PREFABRICADOS DELTA S.A.

PREFABRICADOS DELTA, S.A.

Prefabricados Delta S.A. is the FCC Group company that produces prefabricated concrete and GRP pipes at its two permanent production centres in Humanes (Madrid) and Puente Genil (Córdoba).

In 2014, the company had turnover of 22.5 million euros, a 51.4% year-on-year increase. International business accounted for 3.6% of turnover.

The gross operating profit amounted to 2.2 million euros, representing an increase of 76% compared to 2013.

During 2014, Prefabricados Delta S.A. obtained contracts totalling 23 million euros, with an order book backlog of 21.6 million euros. Of this portfolio, 0% is for contracts abroad.

The 2014 production of Prefabricados Delta factories experienced clear recovery compared to the previous year, focused primarily on the increase of both fibreglass-reinforced polyester as well as pipes made of steel-jacketed concrete. Thus, the global production for the year by product type was as follows:

- Over 35 kilometres of steel-jacketed concrete pipes.
- 25 kilometres of fibreglass-reinforced polyester pipes (GRP).
- 154,000 concrete sleepers of different types.

The most significant supplies per industrial sector were:

- Supplies for hydraulic lines.

During 2014, 60 kilometres of pipelines were manufactured and supplied, which can be broken down into pipe type:

- 28,822 metres of glass reinforced plastic (GRP), where Prefabricados Delta production of this type has exceeded 550 kilometres of pipes.
- 29,221 metres of post-tensioned steel-jacketed concrete pipes with elastic gasket.
- 6,337 metres of reinforced steel-jacketed concrete pipes with double elastic gasket, this pipe represents a new development at Prefabricados Delta.

The most important works include the following:

- Supplying of reinforced steel-jacketed concrete pipes and elastic gaskets for the works to modernise irrigation in the area with waters from the Páramo Bajo Canal (León), sector VI (phases I and II) and sector III (phase II). 6,337 metres of concrete pipes with double elastic gasket and a 2,200 mm inside diameter have been supplied for SEIASA.
- Supplying of post-tensioned steel-jacketed pipes with elastic gasket for the improvement and consolidation works of the irrigated lands in El Fresno Irrigation Community, in Condado district (Huelva). The contract consists of the production and supply of 9.5 kilometres of post-tensioned pipes with 800 and 600 mm inside diameters and maximum design pressures of up to 10 atmospheres.
- Supply of 2,846 metres of post-tensioned steel-jacketed pipes with elastic gaskets and 1,800 mm inside diameter with design pressures between 4 and 6 atmospheres for the project Empreitada de Construção das Infraestructuras de Rega Viarias e de Drenagem dos Blocos 4 e 5 de Baleizão – Quintos, which has involved supplying post-tensioned pipes once again for EDIA (Empresa de Desenvolvimento e Infraestructuras do Alqueva, S.A.) in Portugal.
- For the irrigation works for the Sector III Irrigation Community of the Guadalquivir Valley midlands, 2.7 kilometres of glass reinforced plastic (GRP) pipes were supplied with diameters ranging from 600 to 700 mm and nominal pressures from 6 to 10 bar.
- Supplying of glass reinforced plastic (GRP) pipes for the project to modernise irrigation in La Concepción irrigation community in Tamarite de Litera (Huesca), with nominal diameters ranging from 500 to 1200 mm and nominal pressures from 6 to 10 bar. For this work, 12.5 kilometres of pipes were manufactured.

Supplying railway sleepers

In 2014, 136,409 prestressed monoblock sleepers were supplied, both for the AI-04 (standard gauge sleepers) and PR-01 (standard and national gauge type), as well as 17,805 polyvalent bi-block sleepers for ballastless track (BPP-14), where the latter are a new innovation developed by Prefabricados Delta.

The most important works were:

- Supplying of polyvalent monoblock sleepers for the La Robla – Pola de Lena section of the North – Northwest High-Speed Corridor, with 55,000 sleepers ordered.
- Supplying of bi-block reinforced concrete sleepers with polyvalent width for ballastless track on the La Robla – Pola de Lena section of the North – Northwest High-Speed Corridor, with 17,805 sleepers ordered.

New developments

In the constant search for improvements and innovation that is one of Prefabricados Delta's working priorities, the company developed two new products in 2014:

- Double elastic gasket for steel-jacketed concrete pipes.
- Polyvalent bi-block sleeper for ballastless track.

Matinsa
MANTENIMIENTO DE INFRAESTRUCTURAS, S.A.

MATINSA, INFRASTRUCTURE MAINTENANCE

The FCC Group operates in the sector through Mantenimiento de Infraestructuras, S.A. (MATINSA) in the following lines of business:

Motorways and roads
Maintenance of 4,720 kilometres of roads and 87 kilometres in the Spanish metropolitan network, belonging to several public administrations (Ministry of Public Works, autonomous regions, provincial and county councils), as well as 1,700 kilometres of roads in Portugal.

Meriting mention is the maintenance services for ring roads in Barcelona, the Ronda de Dalt and the Ronda Litoral, where the traffic along these roads exceeds 270,000 vehicles per day.

Notable works in 2014 include:

- The awarding of two new maintenance contracts in:
    - Malaga, for ordinary maintenance and operation of the MA-01 sector, Malaga – Estepona – LP Cadiz, a 116 km long stretch of dual carriageway with high traffic intensity (84,000 vehicles per day), including service in three tunnels with a total length of 2,600 metres.
    - Guipúzcoa, for maintenance of the roads in the Donostialdea sector, which includes the main access routes to San Sebastian and its ring road.
- The renewal of the maintenance contract in the province of Girona, including 19.5 km of dual carriageway and 97.5 kilometres of conventional road along the GI-02, which includes the control centre of the Portbou, Argelager, S. Jaume, Montrós and Collabós tunnels.

- Contracts were also extended in Ávila, Soria, Badajoz and Cáceres.

Maintenance of transport systems
Matinsa maintains the urban trams in the cities of Zaragoza and Murcia. In 2014, it started to work on the maintenance of the Malaga Metro.

Hydraulic infrastructure maintenance
Matinsa continues its activity in the maintenance of water infrastructures, maintaining the channels of the irrigation area of the River Árrago basin, which includes 178 kilometres of channels and 9,300 hectares of irrigable land.

Management of emergency and forest fire services
Matinsa currently provides the following services:

- The fire brigade service for forest fire prevention and extinction in the eastern area of the Autonomous Region of Madrid, with a total of 234 workers, eight heavy forest fire engines, 15 light engines, two high mobility vehicles (VAMTAC), one twin-engine helicopter and 14 forestry engineers.

- The fire-fighting and rescue service at the fire stations in Bueu, Porrino, Ribadumia and Vilagarcia de Arosa in the province of Pontevedra for an eight-year period, with a total of 74 firefighters.

An important event this year was the awarding of the forest fire prevention and extinction service with heavy machinery within the framework of the INFOMA plan for the Autonomous Region of Madrid.

Environmental restoration
The company executes environmental restoration and recovery of damaged and/or polluted areas, including the restoration of sand dune systems and related conservation and maintenance tasks.

This year it was awarded the project to conserve, maintain and improve public domain water in the northern Galicia basins in the territorial scope of the Central Galicia area.

It also continues to manage the coastal conservation and maintenance service in the province of Pontevedra.

Environmental services
Contracts awarded this year include:

- Framework agreement for vegetation control along the sides and on the tracks of the Iberian-gauge and metric-gauge conventional rail network in the Northeast region and vegetation control tasks on the platform of the Iberian-gauge and metric-gauge conventional network in the North region for ADIF for a two-year period.
- Forest and cultural treatments to prevent forest fires in different national heritage offices.
- Chopping and pruning around low and medium voltage aboveground lines in the province of Huesca for ENDESA.
- Pruning, clearing, preservation and maintenance of parks, gardens, roads and pavements in the municipality of Torrelodones for a three-year period.
- Conservation service for the River Manzanares where it passes through the municipal area of Madrid.

R&D&i projects
Matinsa participates in the SIDEINFO Project to fight forest fires, which was designed for the protection of the urban-forest interface.

10

CEMENT

Economic environment and the development of the construction and cement sector

Development of the Group

Energy recovery, sustainability and R&D&i

Factory "El Alto", Morata de Tajuña, Madrid (Spain).

GRUPO CEMENTOS PORTLAND VALDERRIVAS

CEMENTOS PORTLAND VALDERRIVAS, S.A.

The control portfolio of Fomento de Construcciones y Contratas S.A. regarding shares already in circulation of Cementos Portland Valderrivas, S.A. at the end of 2014 was at 77.90%.

ECONOMIC ENVIRONMENT AND THE DEVELOPMENT OF THE CONSTRUCTION AND CEMENT SECTOR

Spain

According to the construction observatory (SEOPAN), official tenders in 2014 amounted to 13,111 million euros, representing an increase of 42.9% compared with 2013.

If we look at the tenders according to the type of work, we can see that building has increased by 52.1%, while civil works have increased by 40.1%. Depending on the organisation making the offer, there has been an increase in tenders of 56.3% for the central government, 12.4% for regional governments and 51.1% for local governments.

The data published by the Association of Quantity Surveyors and Technical Architects regarding surfaces approved for building in 2014 saw a reduction of 1.7% compared with 2013. This decrease is due to the fall still recorded in the surface area approved for non-residential buildings, a 9.7% reduction, and in that regard approved surface for new housing has seen growth of 2.3%. Furthermore, the figure for new housing approved in 2014 is at 34,873 units, 1.7% more than in 2013.

In this context the consumption of cement in Spain has improved throughout the year. The forecasts projected a further decline in cement consumption in Spain in 2014, with Oficemen estimating a further contraction of 8%, following declines of 33.5% in 2012 and 19.2% in 2013.

Thus, while in the first half consumption fell by 3.2%, in the second half of the year it recovered to 4.2%, ending the year with a slight increase of 0.4% in the year to date, a very positive figure after six years of sharp declines, marking the beginning of a new growth cycle in the domestic market.

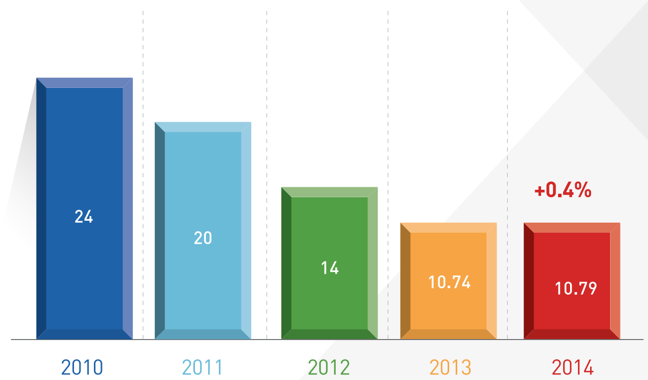
This recovery in consumption is evident in the northern and western regions of Spain, areas that have spent months recording significant growth in the year to date, and that in some areas have reached double figures.

Meanwhile, imports of cement and clinker in Spain reached 0.45 million tonnes, 10.1% more than in 2013, while exports continue to partially offset the sluggish domestic market, with a volume of 9.6 million tonnes, up 31.6% compared to the previous year.

The forecast by Oficemen for 2015 would mark the beginning of the recovery in volumes of cement consumed in Spain, with growth in its neutral scenario of 5%. Finally it should be mentioned that the volumes consumed in the domestic market in the months of January and February of 2015 grew by 6.6% over the same period last year, reaching 9.3% if comparing the average daily consumption.

CEMENT CONSUMPTION IN SPAIN

in million tonnes



United States

Construction activity gradually recovered after the harsh winter months, which strongly affected the consumption of cement, especially in the northern states, where the company operates two of the three factories it has in this market.

So while cement consumption in the first quarter grew 3.5%, the data from the second and third quarter were at growth levels of 9.4% and 9.1% respectively, reaching the 89.1 million tonnes of cement in December, with a cumulative growth of 9.1% over the same period last year.

According to the latest estimates by the Portland Cement Association (PCA), in 2015 and 2016 the growth rate is expected to be close to or exceed 10% annually.

Tunisia

Construction activity showed some weakness in the last quarter of 2014, but the outlook remains favourable. These are mainly concentrated around residential infrastructure, since the large infrastructure works, necessary for the development of the country, remain postponed.

In this context, cement consumption in 2014 reached 7.6 million tonnes, a slight decrease of 1.7% compared to 2013.

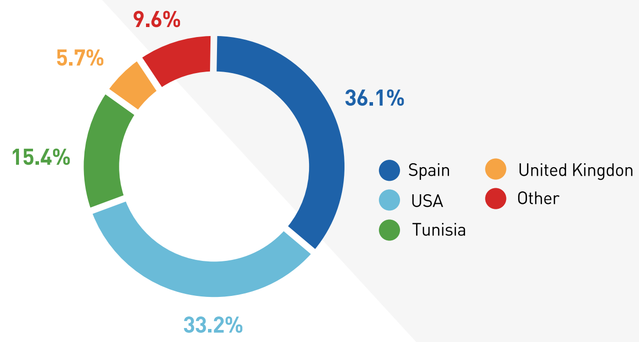
Exports of cement and clinker from the country to its neighbouring countries have grown significantly, reaching 1.3 million tonnes, well above the 2013 figure of 581,000.

Finally, the price liberation that took place in January this year is having a very positive effect on the profitability of the cement industry installed in this market

United Kingdom

It is estimated that cement consumption in this country will reach 12 million tonnes, representing a 5% growth compared to 2013.

BREAKDOWN BY COUNTRY 2014



DEVELOPMENT OF THE GROUP

Total sales of cement and clinker of CPV Group in 2014 amounted to 7.6 million tonnes compared to 7.2 million tonnes in the same period last year, representing a 5% increase.

The Group sold 0.4 million cubic metres of ready-made concrete. Aggregate sales stood at 1.2 million tonnes and dry mortar at 0.3 million tonnes, representing 61%, 66% and 45% less respectively. This reduction in volume is due to the Group's strategy of concentrating on core business and greater added value regarding cement, which has meant downsizing unprofitable concrete, mortar and aggregate plants, resulting in their transfer or closure.

Cement

The total aggregate sales were 7.6 million tonnes, an increase of 5% compared to the volumes sold in 2013.

Accumulated volumes of cement and clinker in the Spanish market are positive, with an increase of 9% to the 2.6 million tonnes sold. Additionally, 1.3 million tonnes of cement and clinker have been exported, 24% more than in 2013.

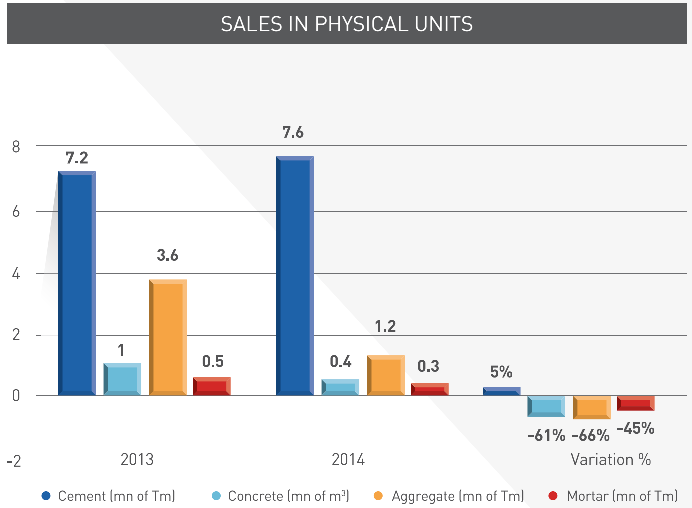
In the United States, cement and clinker volumes sold in the period are slightly lower than the previous year, a decrease of 3%, amounting to 1.7 million tonnes. Of this amount, 93,000 tonnes were exported to Canada, 17% less than in 2013.

The Group's activity in Tunisia in 2014 shows a slight decrease of 3%, with 1.8 million tonnes sold, of which 186,000 were for export.

Cement volumes sold in international markets now account for 67% of the total.

Mortar, concrete and aggregates

The volumes sold in the concrete, mortar and aggregates sector decreased by 61%, 45% and 66% respectively after the closure or transfer of unprofitable plants in Spain and the United States.



ENERGY RECOVERY, SUSTAINABILITY AND R&D&i

Energy recovery

In 2014, after making the necessary investments, the Group began a process of energy recovery at the Thomastone plant (Maine, United States). This late incorporation in the year has only allowed the recovery rate to be maintained at 40% in the United States, but it will represent a significant advance for the period 2015-2016, in which it is expected that the thermal substitution will exceed 50%.

The replacement rate was 11.4% in all the Spanish plants, slightly lower than the previous year, mainly due to the manufacturing mix. Savings made from alternative fuel compared to traditional fuel was 1.8 million euros.

Sustainability

The impetus for the sustainability of resources is also supported by material recovery, which involves replacing part of the raw materials with other materials from industrial sources.

In 2014 the replacement ratio reached 3.7% in our operations in Spain, a figure slightly lower than the previous year.

Additionally, on an annual basis, the Group develops the Corporate Social Responsibility Report, in which the information is collected in the management of economic, environmental and social performance associated with the development of our activity.

R&D&i

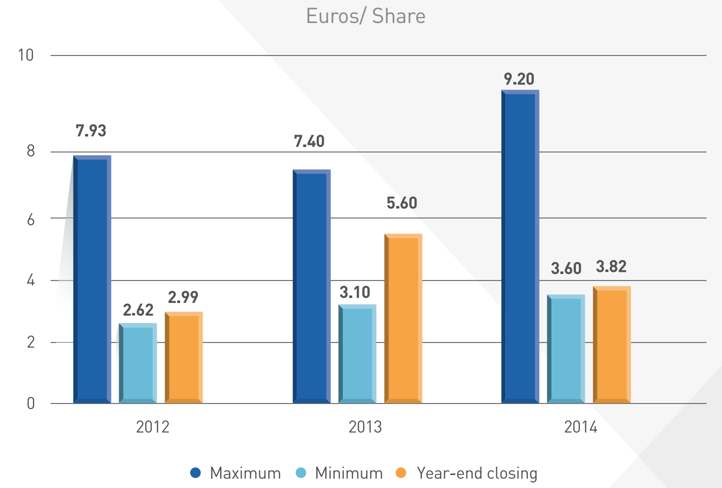
At the beginning of this year the Group's activities focused on the processing for the justification of nine of the ten R&D&i projects awarded to the Group by various official entities such as MINECO (Ministry of Economy and Competitiveness) and CDTI (Industrial Technological Development Centre).

It is important to highlight the successful completion four of the above projects: CEMESFERAS, HORMIGONES POROSOS, ESCOMBRERAS and MICROCEMENTOS.

As the product of this research, the main results obtained in these four projects are summarised below:

- Design of new cement materials with a lower carbon footprint by promoting sustainable production by saving natural resources and having lower emissions of greenhouse gases in the process.
- Development of new porous high-strength concrete to serve new applications under the framework of energy efficiency, and future draining pavements for heavy traffic.
- Research into eco-efficient cements through the recovery of ash from thermal waste tips.
- Development of a new range of micro-cements which places the Group in a global position with regard to these types of special products, aimed at applications for the restoration of microcracks in dams and soil stabilization.

SHARE PRICES: MAXIMUM, MINIMUM AND YEAR-END CLOSING



At the same time we continued with the promotion and development of the remaining six projects (NANOMICRO, CEMESMER, IISIS, BALLAST, MERLIN and MAVIT), in compliance with the planning of research work within the 2014 milestone. It is important to mention the design and construction of a pilot plant within the MAVIT project, implemented towards the end of this year, for which the Group has a test bench for testing a range of products with high added value.

Throughout this process, intellectual property remains an indispensable element in the protection of the technologies developed. In this regard the company has obtained two new patents from the OEPM (Spanish Patent Trademark Office), expanding its portfolio to four patents.

All these initiatives contribute to strengthening the Group's image. The synergies established with a large number of opinion leaders and foreign companies, technological centres, universities and government agencies, position Cementos Portland Valderrivas Group as a point of reference for R&D&i in the development and application of cement materials within the sector.

Human resources, occupational health and safety

During 2014, the Group continued adapting their staff and organizational structure to the market situation. That is why its staff was reduced by 88 employees. As a result, the effective total at 31 December was 1,739 workers (803 in Spain, 585 in the United States, 335 in Tunisia, and 16 in the UK and Holland).

Spain

During the past year, the Group reduced its workforce by 36 employees in Spain (54 leaving, 18 new staff), reaching the aforementioned 803 workers. Furthermore, the agreements regarding employment and temporary work suspension costs were applied, as agreed in 2013.

Moreover, the company undertook an analysis of collective agreements and conditions and labour costs in Spain, ahead of the drafting of the proposal for collective bargaining in 2015.

This analysis resulted with a report, in the month of December, on all existing agreements, and led to the drafting of a proposed business platform, whose ultimate goal is to reduce labour costs and provide greater flexibility, mobility and versatility to the Group's workforce, in order to efficiently meet current demand.

In 2014 the extension of the Equality Plan of the Cementos Portland Valderrivas Group, until December 31, 2015, was agreed with the MCA-UGT Trade Union Association of Industry and the Federation of Construction and Services CC.OO., and signed on September 24, 2009.

United States

In the United States several initiatives aimed at reviewing the benefits for company employees have been undertaken. In this line some suppliers who have helped us establish a cost containment strategy, maintaining a competitive benefits package for employees, were changed.

Tunisia

During the year 2014 a reorganisation was carried out as a result of the retirement of 34 employees. Furthermore 17 new workers were hired. These additions were mainly in operations management (12 new employees), sales management (3 new employees) and HR management (2 new employees).

Organisation and development

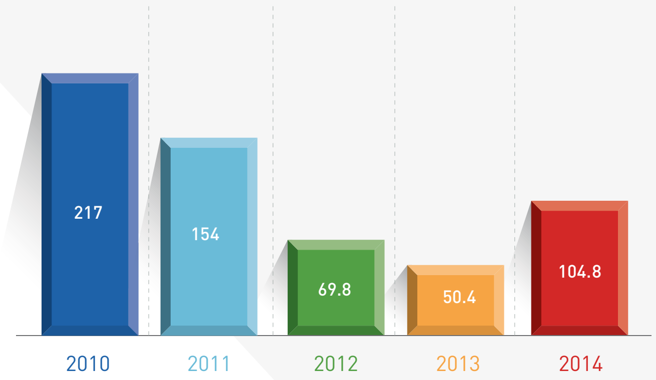
During the past year 23,487 hours of training in the Group were performed, of which 56% were actions on occupational health and safety. The percentage of employees who received staff training reached 85%, compared to 53% last year.

Moreover, the average training time per employee in the Group stood at 13 hours, compared to 10 hours the previous year.

The Performance Management System has been re-launched this year with the aim of helping executives to manage the performance of employees under their charge. It was therefore possible to deploy and evaluate common and individual goals of a group of 80 employees.

GROSS OPERATING PROFIT (EBITDA)

in million euros



Also in 2014 the new variable remuneration policy for the years 2014 and 2015 was approved and implemented. The variable remuneration is linked to the achievement of Group and market objectives and established in the approved budgets each year, as is the case with objectives assigned to each executive and/or key post.

In the last quarter of the year a flexible remuneration programme was implemented for employees who are not part of the collective agreement at corporate offices in Spain, with a start date of January 1, 2015.

Finally, in order to have a rapid response to the possible brain drain and to meet the present and future needs of the organisation, the development of a succession or replacement plan began. Said document contains information on possible replacements in the short and medium term of 60 key positions within the Group.

Occupational health and safety

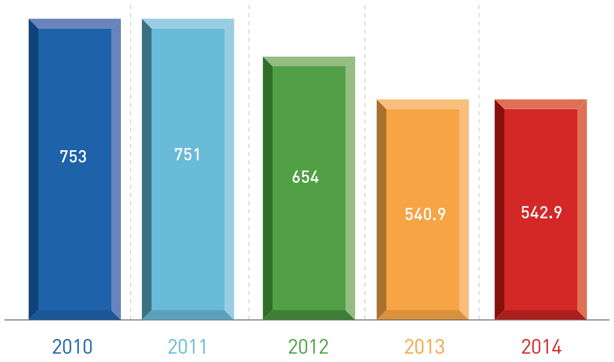
The Group accident ratios indicate a significant improvement in 2014 over the previous year, with a significant reduction in the number of accidents resulting in sick leave, and the number of days lost due to accidents. The frequency index (*) in 2014 went down to 5.02 (10.22 in 2013) and the severity index (*) went down to 0.66 (0.73 in 2013).

These indexes were reduced quite considerably in Spain, so that the frequency rate decreased from 14.70 to 2.94 and the severity index was reduced from 0.51 to 0.14, with these being the best values in the markets in which the Group operates, significantly reducing work days lost to industrial accidents and occupational illness.

In the US market index values are often kept at 6.29, in what is called the "confidence margin", in addition to maintaining stability, it ensures low accident rates and achieves the integration of occupational health and safety in the daily management of the company.

REVENUE

in million euros



Finally, in Tunisia, the reduction of the accident rate has been considerable, from a value of 10.46 on the frequency index to a value of 6.61. To consolidate the improvement achieved, and to continue to make further progress, a plan containing measures to further reduce accidents and develop employee awareness has been established.

(*) The ratios used to measure the accident rate are the frequency index (number of accidents with sick leave x 1,000,000 / total number of hours worked) and the severity index (number of working days lost due to sick leave or disability x 1,000 / total number of hours worked).

FINANCIAL AND ECONOMIC DATA AND SHARE PRICE PERFORMANCE

The accumulated balance sheet and results of the Group as of December 31, 2014 are impacted significantly by the following relevant facts:

1.- Amortization of debt

On September 30 Cementos Portland Valderrivas Group addressed the amortization of 50 million euros arising from the syndicated refinancing contract signed on July 31, 2012, in which the company achieved a unanimous deferral of the financial institutions on June 30.

Part of this amount, 20 million euros, comes from the FCC parent company, through a subordinated loan, and the remaining 30 million come from the Company's own liquid assets.

The next amortization provided for in the refinancing contract should take place in July 2015, amounting to 75 million euros, which the Group has addressed in advance as set out below.

On February 5, 2015 the company proceeded to amortize 100 million euros of outstanding debt in the syndicated loan agreement signed on July 31, 2012. This amount has been applied to the prepayment of 75 million corresponding to the amortization scheduled for June 30, 2015 and the payment of 25 million of the next instalment, scheduled for July 31, 2016. These funds come from the contribution of its parent company, FCC, through a subordinated loan and the payment commitments due to FCC reduced by the same amount, for its support obligations to Cementos Portland Valderrivas that originally amounted to 200 million euros.

2.- Capital increase

Last April 29 the General Meeting of Shareholders approved the capital increase amounting to 110.8 million euros for the capitalization of the FCC subordinated loan.

The increase was made at a price of 8 €/share, issuing 13,855,875 common shares, 36% of pre-existing shares before the capital increase, with trading starting on themarkets on May 23.

This expansion has led to the increased participation of FCC in the shareholding of the CPV Group, currently 77.9% of the total, reducing debt by more than 8%, and strengthening the Group's balance sheet and increasing equity.

3.- Sale of emissions allowances

The delay in the launch of the third phase of the market for emissions allowances has meant that the excess allowances from 2013 were sold together with the 2014 allowances.

In 2014 the Group sold a total of 4,000,000 allowances, which amounted to 20.8 million euros compared to the 2.6 million in 2013, leaving a surplus of 319,000 emissions allowances to sell.

4.- Positive impact on the EBITDA of the adjustment measures implemented in 2013

In 2013 the Group approved the review of its 2012-2021 business plan in order to reduce costs and gain profitability.

Within this framework, measures aimed at adapting the activity of the cement plants in Spain to the market situation were implemented, downsizing the concrete, mortar and aggregates' business, adjusting the corporate structure, with respect to both staff and offices, reducing the wage bill and simplifying the corporate shareholder structure.

In order to carry out the simplification of the corporate shareholder structure, on April 29, 2014, the General Meeting of Shareholders approved the execution of mergers of companies that were wholly owned, directly or indirectly, by Cementos Portland Valderrivas, S.A., in order to concentrate them into a single company.

All the absorbed companies have been defunct, with the consequent transfer of all of their assets to Cementos Portland Valderrivas, S.A., which has acquired all the rights and obligations inherent to said assets.

The aforementioned mergers, which were done in two phases, were completed last December 18.

Turnover

Turnover increased slightly compared to 2013, despite the scheduled exit of unprofitable businesses in Spain, which has led to the closure or transfer of numerous concrete, aggregate and mortar plants.

Thus, while the turnover of Spain's core business, cement, increased 11.7%, revenues from other activities decreased by 55.4%, with the combined effect being a decrease of 8.8%.

On the other hand, revenues from international operations grew by 6.5%, mainly due to a significant improvement in prices in Tunisia and the United States.

The amount, 542.9 million euros, is broken down into 196 million euros in Spain and 347 million euros in the international arena, which currently represents 64% of the total.

Gross operating profit

The gross operating profit stood at 104.8 million euros, more than double the figure for the previous year.

This strong increase in profit was due to the good performance of cement sales in Spain, the impact on the accounts of the savings plans carried out in the company, positive business developments in Tunisia, and higher sales of emissions allowances.

Excluding all atypical data of the comparison, the EBITDA shows an increase of 81.8%.

The net operating income generated a profit of 35.9 million euros compared to the negative result of 24.2 million euros the previous year.

Pre-tax profit

The profit before tax stands at -64.6 million euros, an improvement of 50.2% over the previous year's results.

It should be remembered that the 2013 results were strongly influenced by capital gains from the exchange and sale of assets with CRH (104.8 million euros), offset by the provisions related to asset write-downs (59.2 million euros), the provisions for future actions (20.1 million), and costs related to the restructuring of the workforce (32.4 million as of September).

If we exclude all atypical data for the two years being compared, the profit before tax would have increased by 38.4%.

Profit after tax attributable to the parent company

In connection with the foregoing, the Group has achieved a net result attributable to losses of 52.2 million euros compared to the negative result of 71.9 million euros in 2013.

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FINANCIAL STATEMENTS

Cantabrian Highway, A-8 (Spain).

CONSOLIDATED GROUP

CONSOLIDATED BALANCE SHEET

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2014 (in thousands of euros)

ASSETS	31-12-2014		31-12-2013 (*)	
NON-CURRENT ASSETS		7,853,777		8,458,110
Intangible assets (note 7)		**2,967,524**		**2,864,395**
Concessions (notes 7 and 11)	1,366,247		1,249,081	
Goodwill	1,472,038		1,446,518	
Other intangible assets	129,239		168,796	
Property plant and equipment (note 8)		**3,154,474**		**3,736,266**
Land and buildings	957,785		969,961	
Plant and other items of property, plant and equipment	2,196,689		2,766,305	
Investment property (note 9)		**21,090**		**16,827**
Investments accounted for using the equity method (note 12)		**239,804**		**371,826**
Non-current financial assets (note 14)		**426,674**		**386,799**
Deferred tax assets (note 25)		**1,044,211**		**1,081,997**
CURRENT ASSETS		6,169,092		7,174,031
Non-current assets classified as held for sale (note 4)		**1,002,520**		**2,172,503**
Inventories (note 15)		**760,581**		**798,264**
Trade and other receivables		**2,399,070**		**2,743,546**
Trade receivables for sales and services (note 16)	2,011,034		2,291,875	
Other receivables (notes 16 and 25)	388,036		451,671	
Other current financial assets (note 14)		**380,398**		**396,331**
Other current assets		**89,375**		**75,765**
Cash and cash equivalents (note 17)		**1,537,148**		**987,622**
TOTAL ASSETS		14,022,869		15,632,141

The accompanying notes 1 to 35 and Appendices I to V are an integral part of the consolidated financial statements and, together with the latter, make up the statutory consolidated financial statements for 2014.
(*) The 2013 column was adjusted to reflect the impact of applying IFRS 11, "Joint Arrangements".

CONSOLIDATED BALANCE SHEET

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2014 (in thousands of euros)

EQUITY AND LIABILITIES	31-12-2014		31-12-2013 (*)	
EQUITY (note 18)		495,422		243,156
Equity attributable to the Parent		**271,679**		**3,184**
Shareholders' equity	592,864		330,953	
Share capital	260,572		127,303	
Retained earnings and other reserves	1,026,288		1,680,144	
Treasury shares	(5,278)		(6,103)	
Profit (Loss) for the year attributable to the Parent	(724,294)		(1,506,305)	
Other equity instruments	35,576		35,914	
Valuation adjustments	(321,185)		(327,769)	
Non-controlling interests	223,743		239,972	
NON-CURRENT LIABILITIES		7,833,952		3,475,349
Grants		**239,271**		**228,728**
Long-term provisions (note 20)		**1,157,870**		**1,092,483**
Non-current financial liabilities (note 21)		**5,682,244**		**1,136,956**
Debt instruments and other marketable securities	829,026		402,411	
Bank borrowings	4,595,876		518,026	
Other financial liabilities	257,342		216,519	
Deferred tax liabilities (note 25)		**562,366**		**802,771**
Other non-current liabilities (note 22)		**192,201**		**214,411**
CURRENT LIABILITIES		5,693,495		11,913,636
Liabilities associated with non-current assets classified as held for sale (note 4)		**776,929**		**1,729,204**
Short-term provisions (note 20)		**288,469**		**341,375**
Current financial liabilities (note 21)		**1,381,098**		**6,394,671**
Debt instruments and other marketable securities	77,697		448,700	
Bank borrowings	1,160,517		5,710,390	
Other financial liabilities	142,884		235,581	
Trade and other payables (note 23)		**3,246,999**		**3,448,386**
Payable to suppliers	1,405,588		1,500,262	
Other payables (notes 23 and 25)	1,841,411		1,948,124	
TOTAL EQUITY AND LIABILITIES		14,022,869		15,632,141

The accompanying notes 1 to 35 and Appendices I to V are an integral part of the consolidated financial statements and, together with the latter, make up the statutory consolidated financial statements for 2014.
(*) The 2013 column was adjusted to reflect the impact of applying IFRS 11, "Joint Arrangements".

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES for the year ended 31 December 2014 (in thousands of euros)

	31-12-2014	31-12-2013 (*)
Revenue (note 29)	**6,334,066**	**6,749,981**
In-house work on non-current assets	45,099	99,608
Other operating income (note 28)	218,614	221,685
Changes in inventories of finished goods and work in progress	(18,921)	(56,039)
Procurements (note 28)	(2,220,917)	(2,604,551)
Staff costs (note 28)	(1,916,696)	(2,005,001)
Other operating expenses	(1,637,289)	(1,898,203)
Depreciation and amortisation charge (notes 7, 8 and 9)	(404,269)	(425,793)
Allocation to the consolidated statement of profit or loss of grants related to non-financial non-current assets and other grants	2,689	2,492
Impairment and gains or losses on disposals of non-current assets (note 28)	(651,901)	(238,745)
Other gains or losses (note 28)	(96,028)	(153,104)
PROFIT (LOSS) FROM OPERATIONS	(345,553)	(307,670)
Finance income (note 28)	177,262	71,605
Finance costs (note 28)	(553,053)	(510,093)
Changes in fair value of financial instruments (note 28)	3,862	22,586
Exchange rate differences	35	(11,158)
Impairment and gains or losses on disposals of financial instruments (note 28)	(16,581)	(89,232)
FINANCIAL PROFIT (LOSS)	(388,475)	(516,292)
Result of companies accounted for using the equity method (note 28)	(84,784)	34,284
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(818,812)	(789,678)
Income tax (note 25)	64,171	135,376
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(754,641)	(654,302)
Profit (Loss) for the year from discontinued operations, net of tax (note 4)	21,228	(876,014)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	(733,413)	(1,530,316)
Profit (Loss) attributable to the Parent	**(724,294)**	**(1,506,305)**
Profit (Loss) attributable to non-controlling interests (note 18)	**(9,119)**	**(24,011)**
EARNINGS PER SHARE (note 18)		
Basic	(5.70)	(12.73)
Diluted	(5.70)	(12.73)

The accompanying notes 1 to 35 and Appendices I to V are an integral part of the consolidated financial statements and, together with the latter, make up the statutory consolidated financial statements for 2014.
(*) The 2013 column was adjusted to reflect the impact of applying IFRS 11, "Joint Arrangements".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES for the year ended 31 December 2014 (in thousands of euros)

	31-12-2014		31-12-2013 (**)	
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		(733,413)		(1,530,316)
Income and expense recognised directly in equity		**(79,482)**		**(15,281)**
Revaluation of financial instruments	22		(2,952)	
Cash flow hedges	(24,052)		21,977	
Translation differences	56,707		(52,397)	
Actuarial gains and losses (*)	(16,247)		6,760	
Companies accounted for using the equity method	(79,256)		7,103	
Tax effect	(16,656)		4,228	
Transfers to the consolidated statement of profit or loss		**79,705**		**121,376**
Cash flow hedges	59,726		81,813	
Translation differences	9,148		7,949	
Companies accounted for using the equity method	15,951		54,624	
Tax effect	(5,120)		(23,010)	
TOTAL COMPREHENSIVE INCOME		(733,190)		(1,424,221)
Attributable to the Parent		**(724,655)**		**(1,392,430)**
Attributable to non-controlling interests		**(8,535)**		**(31,791)**

(*) Amounts that may not be recognised in the consolidated statement of profit or loss in any circumstances.
(**) The 2013 column was adjusted to reflect the impact of applying IFRS 11, "Joint Arrangements".

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES for the year ended 31 December 2014 (in thousands of euros)

	Share capital (note 18.a)	Share premium and reserves (note 18.b)	Interim dividend	Treasury shares (note 18.c)	Profit (Loss) for the year attributable to the Parent	Other equity instruments (note 18.d)	Valuation adjustments (note 18.e)	Equity attributable to shareholders of the Parent (note18)	Non-controlling interests (note 18.II)	Total equity
Equity at 31 December 2012	127,303	2,897,174	-	(345,019)	(1,027,963)	35,914	(427,526)	1,259,883	461,719	1,721,602
Adjustment due to application of IAS 19		(12,977)						(12,977)	(11,635)	(24,612)
Equity at 31 December 2012	127,303	2,884,197	-	(345,019)	(1,027,963)	35,914	(427,526)	1,246,906	450,084	1,696,990
Total income and expense for the year		4,705			(1,506,305)		109,170	(1,392,430)	(31,791)	(1,424,221)
Transactions with shareholders or owners		(143,853)		338,916				195,063	3,915	191,148
Capital increases/(reductions)									784	784
Dividends paid									(4,699)	(4,699)
Treasury share transactions (net)		(143,853)		338,916				195,063		195,063
Other transactions with shareholders or owners										
Other changes in equity		(1,064,905)			1,027,963		(9,413)	(46,355)	(174,406)	(220,761)
Equity at 31 December 2013	127,303	1,680,144	-	(6,103)	(1,506,305)	35,914	(327,769)	3,184	239,972	243,156
Total income and expense for the year		(13,062)			(724,294)		12,701	(724,655)	(8,535)	(733,190)
Transactions with shareholders or owners	133,269	841,200		825				975,294	1,373	976,667
Capital increases/(reductions)	133,269	841,749						975,018	6,515	981,533
Dividends paid									(5,142)	(5,142)
Treasury share transactions (net)		(549)		825				276		276
Other transactions with shareholders or owners										
Other changes in equity (note 18)		(1,481,994)			1,506,305	(338)	(6,117)	17,856	(9,067)	8,789
Equity at 31 December 2014	260,572	1,026,288	-	(5,278)	(724,294)	35,576	(321,185)	271,679	223,743	495,422

The accompanying notes 1 to 35 and Appendices I to V are an integral part of the consolidated financial statements and, together with the latter, make up the statutory consolidated financial statements for 2014.

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES for the year ended 31 December 2014 (in thousands of euros)

	31-12-2014		31-12-2013 (*)	
Profit (Loss) before tax from continuing operations		**(818,812)**		**(789,678)**
Adjustments to profit (loss)		**1,598,430**		**1,535,313**
Depreciation and amortisation charge (notes 7, 8 and 9)	404,269		425,793	
Impairment of goodwill and non-current assets (notes 7 and 8)	665,130		346,334	
Other adjustments to profit (loss) (net) (note 28)	529,031		763,186	
Changes in working capital		**22,290**		**264,753**
Other cash flows from operating activities		**(193,049)**		**(235,597)**
Dividends received	22,364		19,161	
Income tax recovered/(paid) (note 25)	(78,656)		(112,058)	
Other proceeds/(payments) relating to operating activities	(136,757)		(142,700)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		608,859		774,791
Payments due to investments		**(485,502)**		**(479,559)**
Group companies, associates and business units	(28,534)		(20,200)	
Property, plant and equipment, intangible assets and investment property (notes 7, 8 and 9)	(393,968)		(419,051)	
Other financial assets	(63,000)		(40,308)	
Proceeds from disposals		**227,568**		**310,653**
Group companies, associates and business units	146,442		221,734	
Property, plant and equipment, intangible assets and investment property (notes 7, 8 and 9)	49,410		64,320	
Other financial assets	31,716		24,599	
Other cash flows from investing activities		**90,721**		**(242,587)**
Interest received	19,634		38,010	
Other proceeds/(payments) relating to investing activities	71,087		(280,597)	
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		(167,213)		(441,493)

The accompanying notes 1 to 35 and Appendices I to V are an integral part of the consolidated financial statements and, together with the latter, make up the statutory consolidated financial statements for 2014.
(*) The 2013 column was adjusted to reflect the impact of applying IFRS 11, "Joint Arrangements".

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES for the year ended 31 December 2014 (in thousands of euros)

	31-12-2014		31-12-2013 (*)	
Proceeds and (payments) relating to equity instruments (note 18)		**982,852**		**246,487**
Issues/(Redemptions)	982,539		183	
(Acquisitions)/Disposals	313		246,304	
Proceeds and (payments) relating to financial liabilityinstruments (note 21)		**(554,384)**		**(211,066)**
Issues	874,902		361,390	
Repayments and redemptions	(1,429,286)		(572,456)	
Dividends and returns on other equity instruments paid (note 6)		**(4,852)**		**(3,755)**
Other cash flows from financing activities		**(337,920)**		**(399,825)**
Interest paid	(358,536)		(402,318)	
Other proceeds/(payments) relating to financing activities	20,616		2,493	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**85,696**		**(368,159)**
Effect of foreign exchange rate changes		**22,184**		**(11,487)**
Cash and cash equivalents of assets held for sale and of discontinued operations, reclassified		**–**		**(166,229)**
OTHER CASH FLOWS		**22,184**		**(177,716)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**549,526**		**(182,577)**
Cash and cash equivalents at beginning of year		**987,622**		**1,170,199**
Cash and cash equivalents at end of year		**1,537,148**		**987,622**

The accompanying notes 1 to 35 and Appendices I to V are an integral part of the consolidated financial statements and, together with the latter, make up the statutory consolidated financial statements for 2014.
(*) The 2013 column was adjusted to reflect the impact of applying IFRS 11, "Joint Arrangements".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES for the year ended 31 December 2014 (in thousands of euros)

1. GROUP ACTIVITIES

The FCC Group is made up of the Parent, Fomento de Construcciones y Contratas, S.A., and a number of Spanish and foreign investees which carry on various business activities that are grouped together in the following areas:

- **Environmental Services.** Services related to urban water treatment, treatment of industrial waste and waste-to-energy (waste recovery).

- **Integral Water Management .** Services related to the integral water cycle: collection, treatment and distribution of water for human consumption; wastewater collection, filtering and treatment; design, construction, operation and maintenance of water infrastructure for municipal, industrial, agricultural and other services.

- **Construction.** This area specialises in infrastructure construction projects, building construction and related activities, such as motorways, dual carriageways and other roads, tunnels, bridges, hydraulic works, ports, airports, residential property developments, housing units, non-residential building construction, lighting, industrial air conditioning and heating systems, environmental restoration, etc.

- **Cement.** This area engages in the operation of quarries and mineral deposits, the manufacture of cement, lime, plaster and related pre-manufactured products and the production of concrete.

Internacional operations, which represent approximately 44% of the FCC Group's revenue (2013: 43%), are carried on mainly in the European, US and Latin American markets.

The FCC Group is undergoing an internal reorganisation process with the aim of focusing on its core activities. As a result of this process, the Group is implementing a divestment plan for its non-core assets which, at the reporting date, are presented as non-current assets classified as held for sale in the consolidated balance sheet and as discontinued operations in the consolidated statement of profit or loss (see note 4, "Non-Current Assets Classified as Held for Sale and Liabilities Associated with Non-Current Assets Classified as Held for Sale and Discontinued Operations").

With regard to the Renewable Energies Area, it is important to note that, pursuant to the Strategic Plan, on 4 April 2014 Fomento de Construcciones y Contratas, S.A. sold 51% of the Energy business to Plenium FMGP, S.L. In accordance with accounting legislation, the result on the transaction is recognised under "Discontinued Operations" (see note 4).

Also, the FCC Group has a presence in the real estate industry through its 36.96% ownership interest in Realia Business, S.A., which engages mainly in housing development and office rental, both in Spain and abroad. The Group decided not to sell the ownership interest in Realia Business, S.A. because, following the capital increase, the investment and divestment plan is currently being revised. Accordingly, the ownership interest was classified as a continuing operation (see note 4).

The Group also engages, mainly through its 50% ownership interest in Globalvía Infraestructuras, S.A., in infrastructure concessions (toll roads, tunnels, marinas, railways, tramways and buildings for a variety of uses). This activity was classified as a discontinued operation (see note 4).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND BASIS OF CONSOLIDATION

2.A) Basis of presentation

The accompanying financial statements and the notes thereto, 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 2014 consolidated financial statements of the FCC Group were formally prepared 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 2013 consolidated financial statements were approved by the shareholders of Fomento de Construcciones y Contratas, S.A. at the Annual General Meeting held on 23 June 2014.

These consolidated financial statements of the FCC Group present fairly its equity and financial position at 31 December 2014 and 2013, and its consolidated results, the changes in the consolidated equity and the consolidated cash flows in the years then ended.

The consolidated financial statements of the FCC Group were prepared from the accounting records of Fomento de Construcciones y Contratas, S.A. and of its investees. 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 2014 and 2013 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

Pursuant to IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", the non-core assets that are currently being sold are recognised under "Non-Current Assets Classified as Held for Sale" and "Liabilities Associated with Non-Current Assets Classified as Held for Sale" in the accompanying consolidated balance sheet and under "Profit (Loss) for the Year from Discontinued Operations, Net of Tax" in the accompanying consolidated statement of profit or loss.

Note 4 "Non-Current Assets Classified as Held for Sale and Liabilities Associated with Non-Current Assets Classified as Held for Sale and Discontinued Operations" includes a detail and explanation of the related changes with regard to discontinued operations.

Standards and interpretations issued but not yet in force

At the date of preparation of these notes to the consolidated financial statements, the most significant standards and interpretations that had been issued by the International Accounting Standards Board (IASB) in the year but which had not yet come into force, either because they had not yet been adopted by the European Union or because they are applicable in subsequent years, were as follows:

		Obligatory application for the FCC Group
Not adopted by the European Union		
IFRS 9	Financial Instruments	1 January 2018
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments to IFRS 10, IFRS 12 and IAS 28	Exception from consolidation for parent companies that meet the definition of investment entities	1 January 2016
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to IFRS 16 and IAS 41	Bearer Plants	1 January 2016
Amendments to IFRS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Adopted by the European Union but not yet in force		
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	1 January 2015
IFRIC 21	Levies	1 January 2015

After assessing the potential impact of applying these standards in the future, it was considered that their entry into force would not have a material impact on the consolidated financial statements of the FCC Group.

Significant standards and interpretations applied in 2014

The standards already adopted by the European Union that came into force in 2014 and were applied by the Group where applicable, were as follows:

New standards, amendments and interpretations:		Obligatory application for the FCC Group
Approved for use in the European Union		
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Amendments to IFRS 10, 11 and 12	Clarification of the guidance for transition to these standards	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities	1 January 2014
Amendments to IAS 27	Separate Financial Statements	1 January 2014
Amendments to IAS 28	Investments in Associates and Joint Ventures	1 January 2014
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014

In general, the application of the aforementioned regulatory changes did not have a material impact on the accompanying consolidated financial statements.

In particular, the application of IFRS 11 "Joint Arrangements" did not have a material impact, since the FCC Group previously applied the option of accounting for the jointly controlled entities using the equity method provided for in IAS 31 "Interests in Joint Ventures" which IFRS 11 has superseded. The information relating to 2013 was adjusted in accordance with IFRSs, the effects of which on "Revenue" and "Profit (Loss) from Operations" amounted to EUR 23,430 thousand and EUR (3,789) thousand, respectively. The application of IFRS 11 did not have any impact on the consolidated results of the Group or its consolidated equity. Since the impact of adjustment is not material, it was not considered necessary to disclose the differences between the statutory financial statements for 2013 and the adjusted financial statements or to include a third balance sheet.

Similarly, the application of IFRS 10 "Consolidated Financial Statements" did not have a material impact, since the definition of control under IFRS 10 does not result in significant changes in the scope of the Group's subsidiaries.

2.B) Basis of consolidation

Subsidiaries

The subsidiaries listed in Appendix I, over which Fomento de Construcciones y Contratas, S.A. exercises control, i.e. where Fomento de Construcciones y Contratas, S.A. has the power to govern the significant activities of the investee; has exposure, or rights, to variable returns from involvement with the investee; and has the ability to use power over the investee to affect the amount of the investor's returns, either directly or through other investees controlled by it, were fully consolidated.

The share of non-controlling interests of the equity of the investee is presented under "Non-Controlling Interests" on the liability side of the accompanying consolidated balance sheet and their share of the results of the investee is presented under "Profit (Loss) Attributable to Non-Controlling Interests" in the accompanying consolidated statement of profit or loss.

Goodwill is determined as indicated in note 3-b below.

Joint arrangements

The Group participates in joint arrangements through investments in joint ventures controlled jointly by one or more FCC Group companies with other non-Group companies (see note 12) and through interests in joint operations, in the form of unincorporated temporary joint ventures (Spanish UTEs) and other similar entities (see note 13).

In accordance with IFRS 11 "Joint Arrangements", the Group accounts for the interests in joint ventures using the equity method and recognises them under "Investments Accounted for Using the Equity Method" in the accompanying consolidated balance sheet. The share in the after-tax profit or loss for the year of these companies is recognised under "Result of Companies Accounted for Using the Equity Method" in the accompanying consolidated statement of profit or loss.

Joint operations, primarily in the Construction and Environmental Services Areas, most of which have the legal form of unincorporated temporary joint ventures and similar entities, were included in the accompanying consolidated financial statements in proportion to the Group's percentage interest in the assets, liabilities, income and expenses arising from the transactions performed by these entities, and reciprocal asset and liability balances and income and expenses not realised with third parties were eliminated.

Appendix II lists the joint ventures controlled jointly with non-Group third parties and Appendix V lists the joint operations operated jointly with non-Group third parties through unincorporated temporary joint ventures and other entities of similar legal characteristics.

Associatess

The companies listed in Appendix III, over which Fomento de Construcciones y Contratas, S.A. does not exercise control but does have significant influence, are equity-accounted and are included under "Investments Accounted for Using the Equity Method" in the accompanying consolidated balance sheet. The contribution of these companies to after-tax profit or loss for the year is recognised under "Result of Companies Accounted for Using the Equity

Method" in the accompanying consolidated balance sheet. The contribution of these companies to after-tax profit or loss for the year is recognised under "Result of Companies Accounted for Using the Equity Method" in the accompanying consolidated statement of profit or loss.

Transactions between Group companies

Gains or losses on transactions between consolidated companies are eliminated on consolidation and deferred until they are realised with non-Group third parties. This elimination does not apply in the case of "concession arrangements" since the related gains or losses are deemed to have been realised with third parties (see note 3-a).

Group work on non-current assets is recognised at production cost, and any intra-Group results are eliminated.

Reciprocal receivables and payables and intra-Group income and expenses were eliminated from the consolidated financial statements.

Changes in the scope of consolidation

Appendix IV shows the changes in 2014 in the fully consolidated companies and the companies accounted for using the equity method. The results of these companies are included in the consolidated statement of profit or loss from the effective date of acquisition to year-end or from the beginning of the year to the effective date of disposal or derecognition, as appropriate.

The effects of the inclusion of companies in the scope of consolidation or of their exclusion therefrom are shown in the related notes to the consolidated financial statements under "Changes in the Scope of Consolidation". In addition, note 5 to these consolidated financial statements, "Changes in the Scope of Consolidation", sets forth the most significant inclusions and exclusions.

3. ACCOUNTING POLICIES

Set forth below is a detail of the accounting policies used in preparing the FCC Group's consolidated financial statements:

3.A) Service concession arrangements

The concession contracts are arrangements between a public sector grantor and FCC Group companies to provide public services such as water distribution, wastewater filtering and treatment, management of landfills, motorways and tunnels, etc., through the operation of 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 handed over to the concession grantor, generally for no consideration. The concession arrangement must provide for the management or operation of the infrastructure. Another common feature is the existence of obligations to acquire or construct all the items required to provide the concession service over the concession term.

These concession contracts are accounted for pursuant to IFRIC 12 "Service Concession Arrangements". In general, a distinction must be drawn between two clearly different phases: the first in which the concession operator provides construction or upgrade services which are recognised under intangible or financial assets by reference to the stage of completion pursuant to IAS 11 "Construction Contracts"; and a second phase in which the concession operator provides a series of maintenance or operation services of the aforementioned infrastructure, which are recognised in accordance with IAS 18 "Revenue".

An intangible asset is recognised when the demand risk is borne by the concession operator and a financial asset is recognised when the demand risk is borne by the concession grantor since the operator has an unconditional contractual right to receive cash for the construction or upgrade services. These assets also include the amounts paid in relation to the fees for the award of the concessions.

In certain bifurcated arrangements, the operator and the grantor may share the demand risk, although this is not common for the FCC Group.

For concessions classified as intangible assets, provisions for dismantling, removal and restoration and any work to upgrade the infrastructure or increase its 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 interest cost relating to the provisions are recognised in the consolidated statement of profit or loss. Also, provisions to replace and repair the infrastructure are systematically recognised in the consolidated statement of profit or loss as the obligation is incurred.

Borrowing costs arising from the financing of the infrastructure are recognised in the period in which they are incurred and those accruing from the construction until the entry into service of the infrastructure are capitalised only in the intangible asset model.

These intangible assets are amortised on the basis of the pattern of consumption of the expected future economic benefits, taken to be the changes in, and best estimates, of the production units of each activity. The Group's most important concession business in quantitative terms is the water supply and treatment activity, in which the assets are amortised on the basis of water consumption; in general, this consumption remains constant over time due, on the one hand, to the reduction arising from water saving policies and, on the other, to the rise resulting from the increase in the population. The assets are amortised in full over the concession term, which generally ranges from 25 to 50 years.

Concessions classified as a financial asset are recognised at the fair value of the construction or upgrade services provided. In accordance with the amortised cost method, the related income is recognised as revenue in profit or loss based on the effective interest rate resulting from the expected cash inflows and outflows of the concession. The borrowing costs arising from the financing of these assets are classified under "Finance Costs" in the consolidated statement of profit or loss. As explained above, the income and expenses from the provision of maintenance and operation services are recognised in the consolidated statement of profit or loss in accordance with IAS 18 "Revenue".

3.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 the applicable legislation, the initial measurement of the assets and liabilities and their allocation to the various asset and liability headings may be reviewed within the twelve months following the acquisition date, should it be necessary to consider new information.

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 excess of (a) the aggregate of the fair value of the consideration transferred for the equity interest acquired, the amount of the non-controlling interests and the acquisition-date fair value of the previously held equity interests, when control is achieved in stages, over (b) the fair value of the identifiable assets and liabilities.

In general, the non-controlling interests are measured at their proportionate share of the acquiree's assets and liabilities.

In a business combination achieved in stages, the difference between the acquisition-date fair value of the previously held equity interest and the carrying amount of this equity interest is recognised as result from operations.

Once control is obtained over an investee and provided control is not 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 in order to recognise it at the lower of its recoverable amount, estimated on the basis of expected cash flows, and acquisition cost, less any accumulated impairment losses. The accounting policies used to determine impairment are detailed in note 3-e.

3.C) Intangible assets

Except as indicated in the preceding two sections of this note in relation to service concession arrangements and goodwill, the other intangible assets included in the accompanying consolidated financial statements are measured at acquisition cost or, in contracts -mainly for the street furniture discontinued operation (see note 7-c)- in which the operating licence provides for the payment of a fixed minimum fee, at the initial present value of the committed minimum cash outflows, less any accumulated amortisation and any accumulated impairment losses. These intangible assets include the investments relating to operating contracts and licences and to surface rights.

None of these intangible assets recognised were generated internally and they all have a finite useful life. Intangible assets are amortised over their useful lives (in general between 20 and 35 years), i.e. the period during which it is estimated they will generate income, using the straight-line method, except where the application of the pattern of consumption of future economic benefits more faithfully reflects their amortisation.

3.D) Property, plant and equipment and investment property

Property, plant and equipment and investment property are recognised at cost (revalued, where appropriate, in accordance with various legal provisions pre-dating the transition to IFRSs), less any accumulated depreciation and any recognised impairment loss. Also, the cost of property, plant and equipment includes the estimated present value of the costs of dismantling and removing the related items and, in cases where these non-current assets have been acquired through business combinations as explained in note 3-b, they are initially recognised at their acquisition-date fair values.

Group work on non-current assets is measured at production cost.

Upkeep and maintenance expenses not leading to a lengthening of the useful life or to an increase in the production capacity of the related assets are recognised in the consolidated statement of profit or loss as 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.

Property, plant and equipment are depreciated by the straight-line method at annual rates based on the following years of estimated useful life:

Investment property	75
Natural resources and buildings	25-50
Plant, machinery and transport equipment	5-30
Furniture and tools	7-12
Computer hardware	4
Other items of property, plant and equipment	5-10

However, certain contracts have terms shorter than the useful life of the related non-current assets, in which case they are depreciated over the contract term.

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 economic benefits arising from operating the property, plant and equipment and investment property are consumed. This review takes the form of an in-situ assessment and technical analysis, based on the current conditions of the assets, and the remaining useful life of each asset is estimated on the basis of its capacity to continue to perform the functions for which it was designed. Subsequently, these internal analyses are confirmed by checking them with non-Group third parties, such as manufacturers, installers, etc.

The Group companies assess regularly, at least at the end of each reporting period, whether there is any indication that an item or group of items of property, plant and equipment is impaired so that, as indicated in note 3-e), an impairment loss can be recognised or reversed in order to adjust the carrying amount of the assets to their value in use. Under no circumstances may the reversals exceed the impairment losses previously recognised.

3.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 an indication that the assets might have become impaired, in order to adjust their carrying amount to their value in use (if this is lower).

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 tests 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 is charged or credited to income under "Impairment and Gains or Losses on Disposals of Non-Current Assets".

To determine the recoverable amount of the assets tested for impairment, an estimate is made of the present value of the net cash flows arising from the cash-generating units (CGUs) to which the assets belong, except for cash inflows and outflows from financing activities and income tax payments, and the cash inflows and outflows arising from scheduled future improvements or enhancements of the assets of these cash-generating units. To discount the cash flows, a pre-tax discount rate is applied that reflects current market assessments of the time value of money and the risks specific to each cash-generating unit.

The estimated cash flows are obtained from projections prepared by management of each CGU, which in general cover periods of five years, except when the characteristics of the business advise longer periods, and include growth rates based on the various approved business plans (which are reviewed periodically), considering, in general, zero growth rates for the years after those covered by the business plans. In addition, it should be noted that sensitivity analyses are conducted in relation to revenue growth, operating margins and discount rates in order to forecast the impact of future changes on these variables.

Flows from CGUs located abroad are calculated in the functional currency of these cash-generating units and are discounted using discount rates that take into consideration the risk premiums relating to each currency. The present value of the net flows thus obtained is translated to euros at the year-end exchange rate applicable to each currency.

3.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.

3.F.1) Finance leases

In finance leases, the Group acts solely 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 is the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the consolidated statement of profit or loss for the year in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the year in which it is incurred.

On expiry of the leases, the Group companies exercise the purchase option and the lease arrangements do not impose any restrictions concerning the exercise of this option. Also, the lease agreements do not contain any renewal, review or escalation clauses.

Assets held under finance leases are depreciated using the criteria detailed in sections a), c) and d) of this note.

3.F.2) Operating leases

When the Group acts as the lessee, it charges the expenses from operating leases to income on an accrual basis.

When the Group acts as the lessor, lease income and expenses from operating leases are recognised in income on an accrual basis.

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.

3.G) Investments accounted for using the equity method

Investments in jointly ventures and associates are initially recognised at acquisition cost and are subsequently revalued to take into account the share of the results of these companies not distributed in the form of dividends. Also, the value of the investments is adjusted to reflect the proportion of the changes in these companies' equity that were not recognised in their income statements. These changes include most notably translation differences and the adjustments arising from changes in the fair value of the cash flow hedges arranged by the companies.

Whenever there are signs of impairment, the Group makes the necessary valuation adjustments.

3.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 held-for-trading financial assets, the transaction costs for which are charged to the consolidated statement of profit or loss for the year.

All acquisitions and sales of financial assets are recognised at the transaction date.

The financial assets held by the Group companies are classified as follows:

- **Financial assets at fair value through profit or loss**, which comprise:
    - **held-for-trading financial assets** are assets acquired with the intention of realising them at short term based on fluctuations in their prices. These assets, which are expected to mature within 12 months, are included under "Other Current Financial Assets" in the accompanying consolidated balance sheet.

      Held-for-trading financial assets which, when arranged, mature within three months or less and whose realisation is not expected to give rise to significant costs are included under "Cash and Cash Equivalents" in the accompanying consolidated balance sheet. These assets are considered to be investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and therefore relate basically to very short-term, highly liquid investments with a high turnover.
    - **financial assets initially classified as at fair value through profit or loss,** which are financial assets not considered to be held for trading.
- **Held-to-maturity investments** are financial assets with fixed or determinable payments and fixed maturity. Those maturing within no more than twelve months are classified as current assets and those maturing within more than twelve months as non-current assets.
- **Loans and receivables** maturing within no more than twelve months are classified as current items and those maturing within more than twelve months as non-current items. This category includes collection rights arising from the application of IFRIC 12 "Service Collection Arrangements" as detailed in note 3-a.
- **Available-for-sale financial assets** are securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments. They are classified as non-current in the accompanying consolidated balance sheet since it is intended to hold them at long term.

The financial assets at fair value through profit or loss and the available-for-sale financial assets were measured at their fair value at the reporting 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 net profit or loss for the year whereas in the case of available-for-sale financial assets, they are recognised in equity until the asset is disposed of, at which time the cumulative gains previously recognised in equity are recognised in the consolidated statement of profit or loss for the year, or it is determined that it has become impaired, at which time, once the cumulative gains previously recognised in equity have been used up, the related loss is recognised in the consolidated statement of profit or loss.

Collection rights arising from a service concession arrangement are measured in accordance with the criteria detailed in note 3-a.

Held-to-maturity investments, credit, loans and receivables originated by the Group are measured at the lower of amortised cost, i.e. the initial cost minus principal repayments plus the uncollected interest accrued on the basis of the effective interest rate, and market value. 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. Where appropriate, if there are signs that these financial assets have become impaired, the necessary valuation adjustments are made.

The Group companies assign trade receivables to banks, without the possibility of recourse against them in the event of non-payment. These transactions bear interest at market rates and the Group companies continue to manage collection of the receivables.

Also, certain future collection rights arising from construction project contracts awarded under the lump-sum payment system were sold.

Through the sale and assignment of these collection rights, substantially all the risks and rewards associated with the receivables, as well as control over the receivables, were transferred, since no repurchase agreements have been entered into 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. Consequently, in accordance with IFRSs, the Group derecognises the balances of receivables assigned or sold on the terms indicated above.

3.I) Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale and discontinued operations

Assets and liabilities whose carrying amount is recovered through a sale transaction rather than through continuing use are classified as non-current assets held for sale and liabilities associated with non-current assets classified as held for sale. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Discontinued operations represent Group components that are intended to be sold or disposed of by any other means, or are classified as held for sale. These components comprise operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group and represent separate lines of business or geographical areas of operations.

3.J) Inventories

Inventories are stated at average acquisition or production cost and the necessary valuation adjustments are made to reduce the carrying amount to net realisable value, if this is lower.

Assets received in payment of loans, located mainly in the FCC Construction subgroup (in exchange for construction work performed or to be performed), are measured at the lowest of the following three values: the amount at which the loan relating to the asset was recognised, production cost and net realisable value.

3.K) Foreign currency

3.K.1) Translation differences

In general, the financial statements of foreign subsidiaries denominated in currencies other than the euro were translated to euros at the closing 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, in equity in the accompanying consolidated balance sheet, as shown in the accompanying consolidated statement of changes in equity.

3.K.2) Exchange differences

Balances receivable and payable in foreign currencies are translated to euros at the exchange rates prevailing at the date of the consolidated balance sheet, and the differences that arise are taken to income.

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 rate 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.

3.L) Equity instruments

Equity or capital instruments are recognised at the proceeds received, net of direct issue costs.

Treasury shares acquired by the Parent are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the consolidated statement of profit or loss.

The Group had in force up to 5 February 2014 (the date on which the scheme expired without any option being exercised) a remuneration scheme for its Executive Directors and Executives that was linked to the value of the Parent's shares. This scheme is described in note 19, "Equity Instrument-Based Transactions".

3.M) Grants

Grants are recognised according to their nature.

3.M.1) Grants related to assets

Grants related to assets are grants which involve 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 the consolidated statement of profit or loss as the asset or assets to which they relate are depreciated.

3.M.2) Grants related to income

Grants related to income are different from those described above in that they do not relate directly to an asset or group of assets. These grants are accounted for as operating income for the amount received when awarded, unless they are received to finance specific expenses, in which case they are recognised in the consolidated statement of profit or loss as the related expenses are incurred.

3.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 probably require an outflow of resources embodying economic benefits to settle them on maturity.

These provisions are recognised when the related obligation arises and the amount recognised is the best estimate at the date of the accompanying consolidated 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 is recognised as interest cost in the consolidated statement of profit or loss.

Provisions for dismantling, removal or restoration 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. The impact on the consolidated statement of profit or loss arises when the asset concerned is depreciated (as described in previous sections of this note) and when the interest cost relating to provisions is charged to income (as described in the preceding paragraph).

Also, certain Group companies recognise provisions for restructuring costs when there is a detailed formal plan in place for this restructuring that has been communicated to the affected parties. Noteworthy among which are the provisions recognised for the reorganisation processes underway at the Group (see note1).

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

3.O) Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Borrowing costs are recognised on an accrual basis in the consolidated statement of profit or loss using the effective interest method and are added to the amount of the financial 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.

3.P) Financial derivatives and hedge accounting

A financial derivative is a financial instrument or other contract whose value varies 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:

- Fair value hedges: in this case, the changes in fair value of the hedging instrument are recognised in profit or loss and offset the changes in fair value of the hedged item.

- Cash flow hedges: in hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the consolidated statement of profit or loss in the same period during which the hedged item affects profit or loss.

- Hedges of a net investment in a foreign operation: hedges of this type are aimed at covering foreign currency risk and are accounted for similarly to cash flow hedges.

Pursuant to IAS 39 "Financial Instruments: Recognition and Measurement", in order to qualify for hedge accounting, a financial derivative must meet the following requirements:

- 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.

- Prospective (analytical) evidence of the effectiveness of the hedge.

- Objective and verifiable ex-post measurements.

In order to be classified as a hedging instrument, the derivative must undergo an effectiveness test. These effectiveness tests are adapted to the type of hedge and the nature of the instruments used:

- In cash flow hedges it is first verified that the critical terms of the hedging instrument and the hedged asset or liability – amounts, maturities, repayments, reference indices, review dates, etc. – are all the same.

  In the case of interest rate swaps (IRSs) in which the FCC Group receives a floating 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 estimated using a test that prospectively and retrospectively checks that the changes in fair value of the cash flows of the IRS offset the changes in the fair value of the hedged risk.

  A hypothetical derivative is used to quantify the hedged risk, whereby the hedged risk is replicated, isolating it from the other factors that influence expected cash flows. Using this approach, the present value of the cash flows is calculated on the basis of the difference between the forward interest rates for the applicable periods at the date of the effectiveness test and the interest rate that would have been obtained had the debt been arranged at the market rate prevailing on inception of the hedge. The hedge will be considered highly effective where the changes in the fair value of the cash flows of the real derivative and the cash flows of the hypothetical derivative are offset within a range of 80% and 125%. If this is not the case, the derivative is not classified as a hedge and changes in its fair value are recognised in the consolidated statement of profit or loss.

  For cash flow hedges in which the derivative hedging instrument is not an IRS but an option, the reduction in the variance of costs is taken into consideration only if the hedge is "activated", i.e. if the reference rates fall within the hedged variability range. The methodology used once the hedge has been activated is the same as that used to test the effectiveness of the IRSs, with the exception that only the intrinsic value of the option will be taken into account in the effectiveness test, in accordance with IAS 39.

- The effectiveness test of fair value hedges -arranged using IRSs- is based on the comparison of the changes in the fair value of the hedged position and of the hedging instrument. The assessment of the effectiveness of this type of hedge is performed by isolating the effects of the credit risk of the liability and the change in value of the variable leg of the IRS, which does not affect the ultimate objective of the hedge but may give rise to apparent ineffectiveness due to the interest accrued at each date.

Although certain hedging instruments are not recognised as hedges, this is only for accounting purposes since for financial and management purposes all the hedges arranged by the FCC Group have, at inception, an underlying financial transaction and the sole purpose of hedging such transaction.

Derivatives do not qualify for hedge accounting if the hedge fails the effectiveness test, which requires the changes in the fair value or in the cash flows of the hedged item directly attributable to the hedged risk to be offset by changes in the fair value or in the cash flows of the hedging instrument within a range of 80% to 120%. When this does not occur, the changes in value are recognised in the consolidated statement of profit or loss.

Changes in the fair value of financial derivatives that do not qualify for hedge accounting are recognised in the consolidated statement of profit or loss as they arise.

The measurement of financial derivatives includes counterparty credit risk and is performed by experts on the subject that are independent from the Group and the entities financing it. The related values are calculated using methods and techniques defined on the basis of observable market inputs. For example:

- The IRSs 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 yield curve determined by employing a bootstrapping process for the deposits and swaps traded at any given time. This zero-coupon yield 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.

- In the case of a cash flow hedging derivative tied to inflation, the method used is very similar to that applied to interest rate swaps. The projected inflation is estimated on the basis of the inflation included implicitly in the ex-tobacco European inflation-indexed swaps quoted on the market and is aligned with Spanish inflation by means of 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, assuming an increase and decrease in interest rates at year-end in various scenarios (see note 31).

Note 24 to these consolidated financial statements details the financial derivatives that the Group has arranged and other matters related thereto.

3.Q) Income tax

The 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 and accounting profit. Based on the legislation applicable to each company, the corresponding tax rate is applied to this adjusted accounting profit. Any tax relief and tax credits earned in the year are then deducted and any positive or negative differences between the tax charge estimated for the previous year's accounting close and the amount of tax subsequently paid are added to or deducted from, respectively, the resulting tax charge.

The temporary differences between the accounting profit and the taxable profit for income tax purposes, together with the differences between the carrying amounts of assets and liabilities recognised in the consolidated balance sheet and their tax bases give rise to deferred taxes which 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 reverse, and in no circumstances are they discounted to present value.

The Group capitalises the deferred tax assets arising from temporary differences and tax loss carry forwards, except for those with respect to which there are reasonable doubts as to their future recovery.

3.R) Pension obligations

The Group companies have certain specific pension plan and similar obligations, which are described in note 26 to these consolidated financial statements.

3.S) Operating income and expenses

In construction activities, the Group recognises results by reference to the stage of completion, determined by measuring the construction work performed in the year and the construction costs, which are recognised on an accrual basis. It recognises the revenue corresponding to the selling price of the completed construction work covered by a principal contract entered into with the owners, or by amendments thereto approved by the owners, or the revenue with respect to which there is reasonable certainty regarding its recovery, since construction project revenue and costs are susceptible to substantial variations during the performance period which cannot be readily foreseen or objectively quantified. Budgeted losses are recognised as an expense in the consolidated statement of profit or loss for the year.

The revenue and expenses of the other activities are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

With regard to service concession arrangements, it should be noted that the FCC Group recognises as profit from operations the interest income arising from the receivables under the financial asset model, since the value of the financial asset includes both the construction services and the upkeep and maintenance services, which from an operational standpoint are identical to those represented by the intangible asset model and, consequently, it is considered that since both models relate to the operating activity of the Group, a fair representation is better achieved by including the income from the financial asset as result from operations (see note 3-a).

The gains or losses arising on disposals of ownership interests in subsidiaries are also recognised as result from operations when control of the subsidiaries is lost. Also, as indicated in note 3-b above in relation to business combinations achieved in stages, the difference between the acquisition-date fair value of the previously held equity interest and the carrying amount of this equity interest is also recognised as profit or loss from operations.

The Group receives the CO_2 emission allowances for its cement business free of charge under the respective national allocation plans and it recognises the related income and expense flows when its sells its surplus allowances or purchases the allowances it requires.

3.T) Related party transactions

The Group performs all its transactions with related parties on an arm's length basis.

Note 32 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.

3.U) Consolidated statement of cash flows

The FCC Group prepares its consolidated statement of cash flows in accordance with the indirect method under IAS 7 "Statement of Cash Flows", using the following terms with the meanings specified:

- Cash flows are inflows and outflows of cash and cash equivalents.

- Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. Operating cash flows include most notably "Other Adjustments to Profit (Loss) (Net)" which consists of, primarily, items that are included in "Profit (Loss) before Tax" but do not have an impact on the change in cash, and items that are included in other line items of the consolidated statement of cash flows in accordance with their nature.

- Investing activities relate to the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities are activities that result in changes in the size and composition of the equity and borrowings of the Group.

For the purpose of preparing the consolidated statement of cash flows, "Cash and Cash Equivalents" were considered to be cash on hand, demand bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.V) Use of estimates

In the Group's consolidated financial statements for 2014 and 2013, estimates were made in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (see notes 7, 8 and 9).
- The measurement of goodwill (see note 7).
- The recoverability of amounts to be billed for construction work performed being processed (see notes 3-s and 16).
- The recoverability of deferred tax assets (see note 25).
- The measurement of assets and liabilities classified as held for sale, when their net value is recognised at an amount less than the carrying amount, since their selling price, less costs to sell, is estimated to be lower than their carrying amount (see note 4).
- The identification and the determination of the fair value of the assets and liabilities acquired in business combinations (see note 5).

- The useful life of the intangible assets, property, plant and equipment and investment property (see notes 7, 8 and 9).
- The calculation of the recoverable amount of inventories (see note 15).
- The amount of certain provisions (see note 20).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations (see notes 20 and 26).
- The market value of derivatives (see note 24).

In 2014 and 2013, due to the continued deterioration of the general economic environment, certain legislative changes and the specific conditions of certain markets in which the FCC Group operates, the Group recognised impairment losses on goodwill and on items of property, plant and equipment, as described in notes 7 and 8, respectively. Furthermore, impairment losses were recognised in order to reduce the carrying amount of certain assets held for sale to the amount expected to be obtained through their sale (see note 4).

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related future financial statements.

IFRS 7 "Financial Instruments: Disclosures" requires that the fair value measurements of financial instruments, both assets and liabilities, be classified in accordance with the significance of the variables used in the measurements. For this purpose, it establishes 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. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the financial instrument that are not based on observable market data.

Substantially all the Group's financial assets and liabilities measured at fair value are Level 2.

4. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (see note 3-i), the non-core assets that, in accordance with the Strategic Plan, are included in the divestment process and for which there were committed sales plans, as indicated in note 1 above, were reclassified.

The assets held for sale, after deducting their liabilities, were measured at the lower of carrying amount and the expected selling price less costs to sell, which gave rise to the recognition of the related impairment losses.

It should be noted in relation to the Energy Area that an agreement was reached to sell it to Plenium FMGP, S.L. on 27 December 2013. However, since the agreement is subject to the customary conditions precedent for this type of agreement, the most significant being the Spanish National Competition Commission's approval of the transaction, the effects of the sale were not recognised in 2013, except for the related impairment loss up to the selling price set forth in the aforementioned agreement. The sale was completed on 4 April 2014 and, accordingly, the effects thereof were recognised on that date.

The divestments of the Logística Group and the FCC Environmental (USA) Group were completed in April and October 2014, respectively, and the result up to sale and the result on disposal were recognised under "Profit (Loss) for the Year from Discontinued Operations, Net of Tax".

In 2014 the ownership interest in the Realia Business subgroup was reclassified from "Discontinued Operations" to "Continuing Operations" as a result of the Group's decision to abandon the sale process. Consequently, the consolidated statement of profit or loss for the year ended 2013 was adjusted. This adjustment did not have any impact on results since it consisted of a mere reclassification between items.

Lastly, as a result of the ongoing liquidation process involving the Alpine Group, in 2013 it was excluded from the scope of consolidation, the effects of which are detailed below:

a) Derecognition of the assets and liabilities of the Alpine Group. The net result on disposal amounts to EUR 10,517 thousand, which relates to EUR 2,233,172 thousand of assets and EUR 2,222,655 thousand of liabilities. In the explanatory notes, these changes are recognised under "Changes in the Scope of Consolidation, Translation Differences and Other Changes" in the related tables.

b) Classification of the FCC Group's ownership interest in these companies -heads of the Alpine Group- as financial assets written down in full, and on the other hand, recognition in 2013 of a provision for contingencies and charges, net of the related tax effect, of EUR 85,317 thousand, to cover the amount of possible third-party liability and guarantees assumed by the FCC Group.

c) Since the Alpine Group represents a significant business line tied to a geographic area, it was classified as a discontinued operation in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". Therefore, "Profit (Loss) for the Year from Discontinued Operations, Net of Tax" in the accompanying consolidated statement of profit or loss for 2013 includes: the result of its inclusion in the scope of consolidation from 1 January 2013 up to the date of exclusion, the impairment loss to write down the investment in full and the provision recognised to cover possible third-party liability and guarantees.

The sections below detail the results, cash flows and balance sheet items relating to assets and liabilities classified as held for sale and discontinued operations.

Statement of profit or loss

The detail of the result after tax from discontinued operations shown in the accompanying consolidated statement of profit or loss is as follows:

	Energy Area	Cemusa Group	Logística Group	Alpine Group	Globalvía Group	FCC Environmental (USA) Group	**Total**
2014							
Revenue	36,676	130,321	61,230	—	—	70,739	**298,966**
Operating expenses	(21,024)	(111,236)	(62,623)	—	—	(72,313)	**(267,196)**
Profit (Loss) from operations	(400)	39,889	(2,173)	—	—	(4,862)	**32,454**
Profit (Loss) before tax	(51,692)	27,267	4,198	—	5,949	(5,385)	**(19,663)**
Income tax	65,132	20,875	4,455	—	—	10,908	**101,370**
Impairment losses on discontinued operations after tax	—	(64,698)	—	—	4,218	—	**(60,480)**
Profit (Loss) for the year from discontinued operations, net of tax	13,440	(16,556)	8,653	—	10,167	5,523	**21,227**
Profit (Loss) attributable to non-controlling interests	(1,286)	(267)	—	—	—	—	**(1,553)**
2013							
Revenue	118,545	142,160	252,198	889,901	—	122,397	**1,525,201**
Operating expenses	(48,257)	(114,054)	(252,827)	(1,259,345)	—	(161,773)	**(1,836,256)**
Profit (Loss) from operations	31,670	3,993	973	(723,174)	—	(39,262)	**(725,800)**
Profit (Loss) before tax	(15,141)	(25,191)	(3,129)	(614,556)	(15,596)	(40,334)	**(713,947)**
Income tax	2,059	335	666	190,688	—	15,310	**209,058**
Impairment losses on discontinued operations after tax	(254,193)	—	(23,520)	—	(55,018)	(38,394)	**(371,125)**
Profit (Loss) for the year from discontinued operations, net of tax	(267,275)	(24,856)	(25,983)	(423,868)	(70,614)	(63,418)	**(876,014)**
Profit (Loss) attributable to non-controlling interests	(2,430)	—	—	(171)	—	—	**(2,601)**

It should be noted than in 2014 "Profit (Loss) for the Year from Discontinued Operations, Net of Tax" in the Energy Area includes, on the one hand, income of EUR 63,948 thousand in relation to the deduction for tax purposes in 2014 of a portion of the impairment loss recognised in 2013 that, in accordance with the accounting principle of prudence in valuation, was not capitalised in that year and, on the other, a loss of EUR 41,455 thousand due to the recognition in the consolidated statement of profit or loss of the valuation adjustments existing on disposal.

As indicated in note 3-v, the result for 2014 in the table above includes a total amount of EUR 60,480 thousand (31 December 2013: EUR 371,125 thousand) in relation to impairment losses recognised on assets classified as held for sale to reduce their carrying amounts to the lower of their value in use and the estimated selling price, less costs to sell. The result from discontinued operations for 2013 includes impairment losses recognised on assets of the Energy Area amounting to EUR 262,510 thousand.

Statement of cash flows

The statement of cash flows relating to discontinued operations is as follows:

	Energy Area	Cemusa Group	Logística Group	Alpine Group	FCC Environmental (USA) Group	**Total**
2014						
Profit (Loss) before tax from discontinued operations	(51,692)	27,267	4,198	—	(5,385)	(25,612)
Adjustments to profit (loss)	77,022	16,321	(3,718)	—	5,530	95,155
Changes in working capital	(20,344)	(9,639)	967	—	(4,198)	(33,214)
Other cash flows from operating activities	(81)	3,777	(45)	—	(1,054)	2,597
Cash flows from operating activities	**4,905**	**37,726**	**1,402**	**—**	**(5,107)**	**38,926**
Payments due to investments	(711)	(80,513)	(943)	—	(1,181)	(83,348)
Proceeds from disposals		29,361	176	—	161	29,698
Other cash flows from investing activities	15	6,392	80	—	(849)	5,638
Cash flows from investing activities	**(696)**	**(44,760)**	**(687)**	**—**	**(1,869)**	**(48,012)**
Proceeds and (payments) relating to equity instruments	(458)	—	—	—	—	(458)
Proceeds and (payments) relating to financial liability instruments	121	12,731	4,162	—	6,422	23,436
Other cash flows from financing activities	(8,447)	(10,598)	(500)	—	503	(19,042)
Cash flows from financing activities	**(8,784)**	**2,133**	**3,662**	**—**	**6,925**	**3,936**
Total cash flows	(4,575)	(4,901)	4,377	—	(51)	(5,150)

Statement of cash flows

	Energy Area	Cemusa Group	Logística Group	Alpine Group	FCC Environmental (USA) Group	Total
2013						
Profit (Loss) before tax from discontinued operations	(15,141)	(25,191)	(3,129)	(614,556)	(40,334)	(698,351)
Adjustments to profit (loss)	98,333	61,875	4,419	373,521	39,845	577,993
Changes in working capital	19,711	15,884	3,098	28,183	7,451	74,327
Other cash flows from operating activities	(2,769)	(14,627)	9,863	(2,231)	499	(9,265)
Cash flows from operating activities	**100,134**	**37,941**	**14,251**	**(215,083)**	**7,461**	**(55,296)**
Payments due to investments	(92,109)	(46,647)	(3,997)	(10,855)	(6,766)	(160,374)
Proceeds from disposals	1,312	450	776	10,595	2,097	15,230
Other cash flows from investing activities	2,097	(686)	2,669	(1,646)	(549)	1,885
Cash flows from investing activities	**(88,700)**	**(46,883)**	**(552)**	**(1,906)**	**(5,218)**	**(143,259)**
Proceeds and (payments) relating to equity instruments	452,610	—	60,000	98,766	31	611,407
Proceeds and (payments) relating to financial liability instruments	(377,811)	24,642	(70,987)	89,725	(2,533)	(336,964)
Other cash flows from financing activities	(62,745)	(7,496)	(890)	(20,447)	(411)	(91,989)
Flujos de efectivo de las actividades de financiación	**12,054**	**17,146**	**(11,877)**	**168,044**	**(2,913)**	**182,454**
Cash flows from financing activities	23,488	8,204	1,822	(48,945)	(670)	(16,101)

Balance sheet. Non-current assets and liabilities classified as held for sale

Following is a detail of the various assets and liabilities reclassified as held for sale under the respective headings in the accompanying balance sheet:

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Energy Area	—	—	933,279	918,677
Cemusa Group	777,520	776,929	709,013	714,633
Logística Group	—	—	79,968	74,105
FCC Environmental (USA) Group	—	—	81,139	21,788
Globalvía Group	225,000	—	275,000	—
Realia Business Group	—	—	94,104	—
	1,002,520	776,929	2,172,503	1,729,203

Following is a detail, by balance sheet heading, of the assets and liabilities presented under the respective held-for-sale headings:

	2014	2013
Intangible assets	569,765	736,158
Property, plant and equipment	154,556	1,031,447
Financial assets	341,439	447,530
Deferred tax assets	6,273	66,243
Current assets	108,257	294,492
Impairment of non-current assets classified as held for sale	(177,770)	(403,367)
Non-current assets classified as held for sale	**1,002,520**	**2,172,503**
Non-current financial liabilities	537,929	1,265,416
Other non-current liabilities	12,600	71,468
Current financial liabilities	170,368	239,904
Other current liabilities	56,032	152,415
Liabilities associated with assets classified as held for sale	**776,929**	**1,729,203**

In relation to the status of the sales processes not yet completed as at 31 December 2014, it should be noted that in relation to the Cemusa subgroup, the New York City Council has not yet approved the transaction. With regard to Globalvía, negotiations are still ongoing, with an investor expected to submit its offer within the first quarter of 2015.

5. CHANGES IN THE SCOPE OF CONSOLIDATION

No noteworthy acquisitions took place either in 2014 or in 2013 and, consequently, there were no significant changes in the scope of consolidation of the FCC Group in this connection.

In order to focus on its core businesses (see note 1), the FCC Group, pursuant to its Strategic Plan in force up to the capital increase, carried out major divestments, including most notably the following:

- The sale of 51% of the Energy Area for EUR 8,000 thousand, the main impact of which on results was the recognition of income EUR 63,948 thousand in relation to the deduction for tax purposes in 2014 of a portion of the impairment loss recognised in 2013 that, in accordance with the accounting principle of prudence in valuation, was not capitalised in that year (see note 4).
- The sale of the FCC Environmental (USA) Group for EUR 69,044 thousand (see note 4).
- The sale of the FCC Logística Group for EUR 6,330 thousand (see note 4).
- The sale of FCC Connex and its subsidiaries engaging in passenger transport services for EUR 13,130 thousand.

In turn, pursuant to the aforementioned Strategic Plan, the following divestments were performed in 2013:

- The performance of an exchange transaction whereby the ownership interest in the Cementos Lemona subgroup was given up in exchange for the non-controlling interest in the Uniland subgroup owned until then by the CRH cement group. The transaction was valued at EUR 321,886 thousand. As a part of the same transaction, Southern Cement Limited was sold for EUR 22,103 thousand. As a result, a gain of EUR 104,960 thousand (see note 28), a decrease in reserves of EUR 105,697 thousand and a decrease in non-controlling interests of EUR 216,190 thousand (see note 18) were recognised in the consolidated financial statements.
- The sale of the Proactiva subgroup, a joint venture engaging in integral water Management, urban cleaning and waste treatment in Latin America, for EUR 125,000 thousand in cash and the possibility of obtaining an additional contingent price of EUR 25,000 thousand if certain conditions are met. In 2014 EUR 5,000 thousand of the aforementioned contingent price were collected.
- The disposal of 49% of Aqualia Czech, S.L. and Aqualia Infraestructuras Inzenyring, S.R.O., its Czech subsidiary that engages in integral water Management, to Mitsui for EUR 96,500 thousand. However, control was not transferred in this transaction and, accordingly, both companies are still classified as subsidiaries. In accordance with IAS 27, this is considered an equity transaction and the difference between the selling price and the carrying amount of the investment sold was taken to reserves. The transaction gave rise to the recognition of increases of EUR 60,729 thousand in reserves and EUR 38,703 thousand in non-controlling interests (see note 18).
- With regard to the Alpine subgroup, the information on the impact of its exclusion from the scope of consolidation on the consolidated financial statements is described in detail in note 4 to these consolidated financial statements.

6. DISTRIBUTION OF PROFIT OR LOSS

Although Fomento de Construcciones y Contratas, S.A. did not distribute a dividend in 2014 or 2013, certain subsidiaries with non-controlling interests did distribute a dividend, which gave rise to following payments to these non-controlling interests:

	2014	2013
Shareholders of Fomento de Construcciones y Contratas, S.A.	—	—
Other non-controlling interests of the other companies	4,852	3,755
	4,852	3,755

7. INTANGIBLE ASSETS

The detail of the carrying amount of intangible assets at 31 December 2014 and 2013 is as follows:

	Cost	Accumulated amortisation	Impairment	Carrying amount
2014				
Concessions (note 11)	1,999,926	(578,974)	(54,705)	1,366,247
Goodwill	1,990,502	—	(518,464)	1,472,038
Other intangible assets	351,474	(206,781)	(15,454)	129,239
	4,341,902	(785,755)	(588,623)	2,967,524
2013				
Concessions (note 11)	1,811,503	(517,587)	(44,835)	1,249,081
Goodwill	2,173,838	-	(727,320)	1,446,518
Other intangible assets	371,725	(188,405)	(14,524)	168,796
	4,357,066	(705,992)	(786,679)	2,864,395

7.A) Concessions

The changes in "Concessions" in the consolidated balance sheet in 2014 and 2013 were as follows:

	Concessions	Accumulated amortisation	Impairment
Balance at 31-12-12	1,618,804	(458,482)	(8,550)
Additions or charge for the year	216,042	(63,004)	(36,382)
Disposals or reductions	(4,517)	3,005	—
Changes in the scope of consolidation, translation differences and other changes	6,780	896	—
Transfers	(25,606)	(2)	97
Balance at 31-12-13	1,811,503	(517,587)	(44,835)
Additions or charge for the year	104,126	(66,112)	(9,870)
Disposals or reductions	(8,963)	7,866	—
Changes in the scope of consolidation, translation differences and other changes	25,819	(2,768)	—
Transfers	67,441	(373)	—
Balance at 31-12-14	1,999,926	(578,974)	(54,705)

"Concessions" includes the intangible assets relating to the service concession arrangements (see note 11).

The most significant additions in 2014 relate to the following companies: Autovía Conquense, S.A. (EUR 41,238 thousand (2013: EUR 21,753 thousand)), FCC Environment (UK) Group -PFI Holdings (EUR 27,079 thousand) and concessions operated by FCC Aqualia, S.A. (EUR 12,990 thousand (2013: EUR 16,829 thousand)).

The disposals in 2014 relate mainly to concessions operated by FCC Aqualia, S.A. (EUR 8,186 thousand) and in 2013 they related mainly to FCC Aqualia, S.A. (EUR 2,337 thousand) and FCC Medio Ambiente, S.A. (EUR 2,070 thousand).

Noteworthy under "Changes in the Scope of Consolidation, Translation Differences and Other Changes" in 2014 is the inclusion in the scope of consolidation of Aguas de Alcázar Empresa Mixta, S.A. for EUR 8,052 thousand.

The borrowing costs capitalised in 2014 amounted to EUR 1,667 thousand (2013: EUR 2,465 thousand) and accumulated capitalised borrowing costs amounted to EUR 22,934 thousand (2013: EUR 21,173 thousand).

7.B) Goodwill

The breakdown of goodwill in the accompanying consolidated balance sheet as at 31 December 2014 and 2013 is as follows:

	2014	2013
Cementos Portland Valderrivas, S.A.	809,351	226,269
Corporación Uniland Group	—	583,082
FCC Environment (UK) Group	335,920	313,837
.A.S.A. Group	136,890	136,890
FCC Aqualia, S.A.	82,763	82,763
FCC Ámbito, S.A.	23,311	23,311
Giant Cement Holding, Inc.	29,308	25,870
FCC Industrial e Infraestructuras Energéticas, S.L.U.	21,499	21,499
Marepa Group	12,220	12,220
FCC Construcción de Centroamérica Group	8,460	8,460
Tratamientos y Recuperaciones Industriales, S.A.	869	869
Canteras de Aláiz, S.A.	4,332	4,332
Cementos Alfa, S.A.	3,712	3,712
Other	3,403	3,404
	1,472,038	1,446,518

The main change in the foregoing table resulted from the merger by absorption of the parent of the Corporación Uniland Group and certain of its subsidiaries into Cementos Portland Valderrivas, S.A., which gave rise to the latter recognising in its separate financial statements the goodwill arising from the acquisition of the Corporación Uniland Group.

The impairment tests performed by the Group on its goodwill are described in note 3-b. Based on the methods used and on the estimates, projections and valuations available to Group Management, indications have been detected that additional impairment losses might arise on these assets, as evidenced by the impairment losses recognised on the property, plant and equipment of FCC Environment (UK). At 31 December 2014, an impairment loss before tax of EUR 649,681 thousand was recognised on the property, plant and equipment of the FCC Environment (UK) subgroup as a result of the planned discontinuation of operations at certain landfill sites that are not profitable, with volumes much lower than projected as a result of the landfill tax. In this context, the goodwill of this subgroup was tested for impairment (the goodwill had already been written down in 2012 and 2013), and it was concluded that the cash-generating unit generates sufficient cash flows to support the carrying amount of the goodwill at 31 December 2014.

Following is a description of the most significant estimates and sensitivity tests performed in the impairment tests on goodwill.

Cementos Portland Valderrivas

It should be noted that the goodwill recognised for this group, amounting to EUR 809,351 thousand, comprises three separately identifiable items:

- goodwill of EUR 583,082 thousand recognised in the separate financial statements of Cementos Portland Valderrivas, S.A. arising from the merger by absorption of the parent of the Corporación Uniland Group and certain of its subsidiaries;
- EUR 113,505 thousand relating to the cash-generating unit (CGU) consisting of the Alcalá de Guadaira plant; and
- goodwill of EUR 112,764 thousand arising from the successive acquisitions by FCC, S.A. (the Parent of the Group) of additional ownership interests in Cementos Portland (in turn, the parent of the cement business) prior to the entry into force of the current version of IFRS 3, with respect to which the CGU to be considered, therefore, is the entire business activity of the Cementos Portland Valderrivas Group, and this policy has been applied on an ongoing basis since the entry into force of IFRS 3 (2005).

Following is a description of the main assumptions used in each of the impairment tests performed on the three aforementioned CGUs.

a) Corporación Uniland

Impairment losses amounting to EUR 234,100 were recognised on the goodwill related to the Corporación Uniland CGU in prior years and also, as a result of acquisitions following the obtainment of control, EUR 71,596 thousand were recognised in reserves. The cash flow projections are based on historical data and future projections of both the Group and external bodies.

As indicated above, the parent of the Corporación Uniland Group and certain of its subsidiaries were absorbed by Cementos Portland Valderrivas, S.A. and, accordingly, the goodwill of the former is recognised in the separate financial statements of Cementos Portland Valderrivas, S.A.

Using the framework described above, a gradual improvement was estimated in revenue with growth ranging from a maximum of 10.7% in 2021 to more modest projected growth in the last three years of the series, from 8.7% in 2022 to 5.2% in 2024. This growth gives rise to a sustained improvement in the gross operating margin from the current figure of around 23.5% to approximately 35.4% in 2024, the last year of the series, driven mainly by the characteristics of the cement market in which, once fixed costs are covered, the margin increases significantly since the variable costs are very low compared with revenue growth. In view of the characteristics of the business and its cycle, a ten-year time horizon was considered, and the estimated cash flows were discounted using a discount rate of 6.23%. A zero growth rate was used to calculate the perpetual return. The present value of the perpetual return represents 67.6% of the total recoverable amount. The test showed that the recoverable amount of the cash-generating unit is EUR 406,275 thousand higher than its carrying amount and would withstand an increase of just over 180 basis points and a decrease in the present value of the cash flows of around 27.5% without the need to recognise any impairment loss.

It should be noted that the main aggregates for 2014 exceeded significantly those used for that year in the impairment test performed in 2013.

b) Alcalá de Guadaira

The cash flows corresponding to the Alcalá de Guadaira CGU were calculated using assumptions consistent with those employed for Uniland, which were adapted to the particular circumstances of this CGU. More specifically, the projected future revenue growth considered a volume of cement consumption based on external third-party reports together with the best estimates of Group commercial Management, while future prices were estimated on the basis of knowledge of the market in the geographical area in which the unit operates. In view of the features and cycle of the cement business, the projections considered a ten-year time horizon and a 6.23% discount rate. A zero growth rate was used to calculate the perpetual return. The present value of the perpetual return represents 70.1% of the total recoverable amount. The current projections disclose that the recoverable amount is EUR 157,880 thousand higher than the CGU's carrying amount and would withstand an increase in the discount rate of more than 430 basis points and a reduction of more than 35% of the present value of the cash flows.

c) Grupo Cementos Portland Valderrivas

As regards the goodwill associated with the CGU consisting of the entire cement business, it should be noted that if we consider the sum of the present values of the cash flows for the CGUs tested for impairment because goodwill had been allocated to them, discounted at a rate of 6.23%, such as Uniland, the Alcalá de Guadaira plant, Giant, etc., taking into consideration that in the case of the other CGUs the recoverable amount is at least equal to the carrying amount, the aggregate recoverable amount exceeds the carrying amount of the total cement business and, therefore, there is no impairment. If the cash flows relating to the entire cement business were taken into consideration, the excess of recoverable amount over carrying amount would be even greater. A zero growth rate was used to calculate the perpetual return, so that the present value of the perpetual return represents 64.3% of the total recoverable amount. The current projections disclose that the recoverable amount is EUR 1,029,689 thousand higher than the carrying amount and would withstand an increase in the discount rate of more than 300 basis points and a reduction of more than 35% of the present value of the cash flows.

FCC Environment (UK) Group, formerly WRG Group.

In 2013 an impairment loss of EUR 236,435 thousand was recognised to add to the loss of EUR 190,229 thousand recognised in 2012.

The main assumptions used relate to revenue growth of approximately 4-8% for 2016-2018, dropping to 2% in 2020 to then remain constant for the remaining years. Also, the gross operating margin drops from 23.8% in 2015 to around 19% for 2019-2024, due largely to the change in the mix of activities, with activities with lower margins gaining relative importance. The discount rate used was 6.80% and a ten-year time horizon was considered for the estimates, in view of the structural characteristics of its business and the long useful lives of its assets. A growth rate of 1% was used in calculating the perpetual return, since the planned discontinuation of the activity at certain unprofitable landfills will be offset by the strengthening of other waste treatment alternatives which, therefore, will experience sustained growth over time. The present value of the perpetual return represents 70.6% of the total recoverable amount. The test showed that the recoverable amount of the cash-generating unit is EUR 117,089 thousand higher than its carrying amount and would withstand an increase of 73 basis points and a decrease in the present value of the cash flows of around 13%, without the need to recognise any impairment loss.

The aforementioned impairment of the property, plant and equipment of the FCC Environment (UK) subgroup did not have any impact on the cash flows for 2014, since it related to the gradual planned closure of certain landfill sites that are no longer profitable. The orderly closure process will expedite the transformation of its waste Management business, thereby increasing the relative importance of the recycling, recovery and treatment activity, which will enable the subgroup to improve its profitability in the long term.

The changes in goodwill in the accompanying consolidated balance sheet in 2014 and 2013 were as follows:

Balance at 31-12-12		**1,971,234**
Changes in the scope of consolidation, translation differences and other changes:		
FCC Environment (UK) Group	(11,928)	
Giant Cement Holding, Inc.	(1,142)	
Other	(4,305)	(17,375)
Reclassifications to or from assets held for sale: (note 4)		
Alpine Bau Group	(188,705)	
FCC Environmental LLC	(50,447)	
International Petroleum Corp. of Delaware	(5,499)	(244,651)
Impairment losses: (note 28-d)		
FCC Environment (UK) Group	(236,435)	
FCC Ámbito, S.A.	(17,424)	
Other	(8,831)	(262,690)
Balance at 31-12-13		**1,446,518**
Changes in the scope of consolidation, translation differences and other changes:		
FCC Environment (UK) Group	22,082	25,520
Giant Cement Holding, Inc.	3,438	
Balance at 31-12-14		**1,472,038**

In 2013 the goodwill of the Alpine Group amounting to EUR 188,705 thousand was excluded from the scope of consolidation as a result of the liquidation of that group, and the goodwill relating to FCC Environmental LLC and International Petroleum Corp. of Delaware was reduced by EUR 50,447 thousand and EUR 5,499 thousand, respectively, as both of these companies were reclassified as discontinued operations (see note 4).

"Changes in the Scope of Consolidation, Translation Differences and Other Changes" in 2014 includes most notably the effect of the appreciation of the pound sterling against the euro, which gave rise to an increase of EUR 22,082 thousand (2013: decrease of EUR 11,928 thousand) in the goodwill associated with the FCC Environment (UK) Group (formerly the WRG Group).

7.C) Other intangible assets

The changes in "Concessions" in the consolidated balance sheet in 2014 and 2013 were as follows:

	Other intangible assets	Accumulated amortisation	Impairment
Balance at 31-12-12	1,282,233	(571,826)	(4,150)
Additions or charge for the year	48,201	(21,945)	(10,277)
Disposals or reductions	(17,766)	10,627	–
Changes in the scope of consolidation, translation differences and other changes	(940,893)	394,718	(97)
Transfers	(50)	21	–
Balance at 31-12-13	371,725	(188,405)	(14,524)
Additions or charge for the year	45,950	(19,523)	(1,086)
Disposals or reductions	(4,188)	3,074	156
Changes in the scope of consolidation, translation differences and other changes	10,704	(2,545)	–
Transfers	(72,717)	618	–
Balance at 31-12-14	351,474	(206,781)	(15,454)

This heading includes mainly:

- Amounts paid to public or private bodies in relation to royalties for the award of contracts that do not qualify as concession arrangements pursuant to IFRIC 12 "Service Concession Arrangements", relating mainly to the Environmental Services Area;
- the amounts recognised as intangible assets on initial recognition of certain business combinations representing items such as customer portfolios and contracts in force on the purchase date;
- the rights to operate quarries relating to the Cement Area;
- and computer software.

In 2013 "Changes in the Scope of Consolidation, Translation Differences and Other Changes" included EUR 540,965 thousand relating to the logistics and street furniture businesses (Cemusa Group), and the FCC Environmental (USA) Group (see note 4).

8. PROPERTY, PLANT AND EQUIPMENT

The detail of the carrying amount of property, plant and equipment at 31 December 2014 and 2013 is as follows:

	Cost	Accumulated depreciation	Impairment	Carrying amount
2014				
Land and buildings	**1,552,183**	**(504,712)**	**(89,686)**	**957,785**
Land and natural resources	791,872	(141,829)	(75,103)	574,940
Buildings for own use	760,311	(362,883)	(14,583)	382,845
Plant and other items of property, plant and equipment	**7,852,831**	**(4,972,475)**	**(683,667)**	**2,196,689**
Plant	5,083,305	(2,906,756)	(663,277)	1,513,272
Machinery and transport equipment	2,046,456	(1,565,997)	(17,102)	463,357
Property, plant and equipment in the course of construction and advances	64,518	—	—	64,518
Other items of property, plant and equipment	658,552	(499,722)	(3,288)	155,542
	9,405,014	(5,477,187)	(773,353)	3,154,474
2013				
Land and buildings	**1,513,928**	**(423,608)**	**(120,359)**	**969,961**
Land and natural resources	779,630	(98,275)	(105,461)	575,894
Buildings for own use	734,298	(325,333)	(14,898)	394,067
Plant and other items of property, plant and equipment	**7,552,915**	**(4,753,454)**	**(33,156)**	**2,766,305**
Plant	4,819,911	(2,734,196)	(16,049)	2,069,666
Machinery and transport equipment	2,053,887	(1,538,955)	(13,881)	501,051
Property, plant and equipment in the course of construction and advances	52,108	—	—	52,108
Other items of property, plant and equipment	627,009	(480,303)	(3,226)	143,480
	9,066,843	(5,177,062)	(153,515)	3,736,266

The changes in 2014 and 2013 in property, plant and equipment accounts were as follows:

	Land and natural resources	Buildings for own use	LAND AND BUILDINGS	Plant	Machinery and transport equipment	Property, plant and equipment in the course of construction and advances	Other items of property, plant and equipment	PLANT AND OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT	ACCUMULATED DEPRECIATION	IMPAIRMENT
Balance at 31-12-12	801,292	1,016,346	1,817,638	5,178,640	2,546,320	83,959	826,249	8,635,168	(5,711,850)	(116,801)
Additions or charge for the year	933	21,505	22,438	17,178	64,030	39,977	26,643	147,828	(339,349)	(36,988)
Disposals or reductions	(8,807)	(12,479)	(21,286)	(11,887)	(74,565)	(1,517)	(26,455)	(114,424)	112,339	1,469
Changes in the scope of consolidation, translation differences and other changes	(14,818)	(281,037)	(295,855)	(402,114)	(491,924)	(23,947)	(204,445)	(1,122,430)	759,368	1,773
Transfers	1,030	(10,037)	(9,007)	38,094	10,026	(46,364)	5,017	6,773	2,430	(2,968)
Balance at 31-12-13	779,630	734,298	1,513,928	4,819,911	2,053,887	52,108	627,009	7,552,915	(5,177,062)	(153,515)
EAdditions or charge for the year	33	18,244	18,277	40,544	92,549	50,276	48,155	231,524	(323,545)	(652,984)
Disposals or reductions	(10,086)	(13,470)	(23,556)	(13,302)	(141,843)	(1,764)	(23,951)	(180,860)	163,477	6,745
Changes in the scope of consolidation, translation differences and other changes	18,285	18,526	36,811	214,129	38,437	713	5,080	258,359	(149,773)	25,337
Transfers	4,010	2,713	6,723	22,023	3,426	(36,815)	2,259	(9,107)	9,716	1,064
Balance at 31-12-14	791,872	760,311	1,552,183	5,083,305	2,046,456	64,518	658,552	7,852,831	(5,477,187)	(773,353)

The most significant "Additions" in 2014 were the investments made for the performance of contracts in the Environmental Services Area, mainly at the FCC Environment (UK) Group (formerly the WRG Group), amounting to EUR 62,843 thousand (2013: EUR 53,436 thousand), at Fomento de Construcciones y Contratas, amounting to EUR 45,530 thousand (2013: EUR 30,291 thousand) and those made in the Integral Water Management Area, primarily by SmVak, amounting to EUR 18,358 thousand (2013: EUR 18,568 thousand).

Impairment losses for the year included most notably those recognised at the FCC Environment (UK) Group amounting to EUR 649,681 thousand. The aforementioned impairment losses arose as a result of the extensive transformation experienced by the waste Management market in the UK as a result of the British Government's policy in implementing European Directives, which requires that waste be treated prior to being sent to the landfill sites, establishes ambitious recycling targets and increases the landfill tax from GBP 56 per tonne in 2011 to GBP 80 per tonne in 2014; all of these actions being intended to promote the use of alternative treatment technologies.

This environmental policy, together with the severe financial crisis (decreased consumption and generation of waste), resulted in a rapid drop in the waste disposal activity at landfill sites; waste disposal at the landfill sites of the FCC Group in the UK dropped from 9.1 million tonnes in 2007 to 4.4 million tonnes in 2013. This situation forced the FCC Group to review its business strategy and model and to consider, on the one hand, restructuring the landfill business so as to enable the capacity and availability of landfill sites to be adapted to market needs and, on the other, making a firm commitment to a diversification strategy aimed at providing waste collection, recycling and treatment, and renewable energy production, services. Impairment losses in 2013 included most notably EUR 36,032 thousand recognised in the cement business on non-current assets used mainly in closed or loss-making aggregate, mortar and concrete production plants.

To determine the impairment of the FCC Environment (UK) Group's property, plant and equipment, the landfill sites were considered as individual cash-generating units (CGUs) since they generate independent cash flows. The carrying amount of these CGUs was determined principally by calculating their value in use, using discounted cash flows to estimate their present value on the basis of the estimated useful life of each of the units. The discount rate before tax used was 6.8%.

"Disposals or Reductions" includes disposals and inventory reductions relating to assets which, in general, have been depreciated substantially in full since they have reached the end of their useful lives.

"Changes in the Scope of Consolidation, Translation Differences and Other Changes" in 2014 includes most notably the effect of the appreciation of the pound sterling and US dollar against the euro. In 2013 "Changes in the Scope of Consolidation, Translation Differences and Other Changes" included the transfer of non-current asset amounting to EUR 178,462 thousand net of depreciation and impairment losses to non-current assets classified as held for sale and EUR 405,710 thousand relating to the exclusion from the scope of consolidation of the Alpine Group as a result of its liquidation process (see note 4).

The borrowing costs capitalised in 2014 amounted to EUR 4,558 thousand (2013: no borrowing costs were capitalised) and accumulated capitalised borrowing costs amounted to EUR 32,593 thousand (2013: EUR 45,255 thousand).

The Group companies take out the insurance policies they consider necessary to cover the possible risks to which their property, plant and equipment are subject. At 2014 year-end the Parent considered that the property, plant and equipment were fully insured.

Fully depreciated property, plant and equipment which, being in good working order, are used in production amounted to EUR 3,111,506 thousand as at 31 December 2014 (31 December 2013: EUR 2,844,371 thousand).

At 31 December 2014, property plant and equipment in the accompanying consolidated balance sheet located outside Spain amounted to EUR 1,891,015 thousand, net of depreciation (31 December 2013: EUR 2,392,982 thousand). The change in this line item arose mainly as a result of the impairment of the FCC Environment (UK) Group amounting to EUR 649,681 thousand.

Restrictions on title to assets

Of the total property, plant and equipment in the consolidated balance sheet as at 31 December 2014, there are restrictions on title to assets amounting to EUR 557,912 thousand (31 December 2013: EUR 584,229 thousand), the detail being as follows:

	Cost	Accumulated depreciation	Impairment	Carrying amount
2014				
Buildings, plant and equipment	2,302,285	(1,734,863)	(63,293)	504,129
Other items of property, plant and equipment	170,168	(116,385)	-	53,783
	2,472,453	**(1,851,248)**	**(63,293)**	**557,912**
2013				
Buildings, plant and equipment	1,047,596	(623,724)	-	423,872
Other items of property, plant and equipment	759,510	(599,153)	-	160,357
	1,807,106	**(1,222,877)**	**-**	**584,229**

The restrictions on title to the aforementioned assets arise from the finance lease agreements explained in note 10 to these consolidated financial statements and also relate to the assets assigned to the operation of certain concession arrangements.

Purchase commitments

In the course of their business activities, the Group companies had formalised property, plant and equipment purchase commitments amounting to EUR 1,197 thousand at 31 December 2014 (31 December 2013: EUR 593 thousand), the detail being as follows:

	2014	2013
Buildings for own use	—	—
Plant	—	—
Machinery and transport equipment	1,197	272
Other items of property, plant and equipment	—	321
	1,197	593

9. INVESTMENT PROPERTY

"Investment Property" in the accompanying consolidated balance sheet reflects the net values of the land, buildings and other structures held either to earn rentals or, as the case may be, for capital appreciation.

The detail of "Investment Property" at 31 December 2014 and 2013 is as follows:

	Cost	Accumulated depreciation	Carrying amount
2014			
Investment property	21,271	(181)	21,090
	21,271	(181)	21,090
2013			
Investment property	16,835	(8)	16,827
	16,835	(8)	16,827

The changes in 2014 and 2013 were as follows:

Balance at 31-12-12	70,668
Additions	59
Disposals	(35,529)
Depreciation and impairment charge	(629)
Changes in the scope of consolidation, translation differences and other changes	(20,830)
Transfers	3,088
Balance at 31-12-13	16,827
Additions	792
Disposals	
Depreciation and impairment charge	(173)
Changes in the scope of consolidation, translation differences and other changes	3,644
Transfers	—
Balance at 31-12-14	21,090

"Changes in the Scope of Consolidation, Translation Differences and Other Changes" in 2014 includes most notably the increase of EUR 3,644 thousand since, as a result of the final sale agreement of the Alpine Energie subgroup, the Group assumed the assets and liabilities of Alpine Energie Holding AG as a result of the company ultimately not being included in the sale transaction.

The "Disposals" in 2013 include EUR 35,529 thousand relating to FCC Construcción, S.A. for the sale of homes located in Tres Cantos (Madrid) that in 2012 began to be held to earn rentals under a seven-year lease agreement with a purchase option.

"Changes in the Scope of Consolidation, Translation Differences and Other Changes" in 2013 includes most notably EUR 14,691 thousand relating to the exclusion from the scope of consolidation of the Alpine Group due to its liquidation process (see note 4).

At the end of 2014 and 2013 the Group did not have any firm commitments to purchase or construct investment property.

10. LEASES

10.A) Finance leases

The detail of the finance leases in force at the end of 2014 and 2013 and of the related cash flows is as follows:

	Movable property	Real estate	Total
2014			
Carrying amount	**65,322**	**6,275**	**71,597**
Accumulated depreciation	35,681	3,416	39,097
Cost of the assets	**101,003**	**9,691**	**110,694**
Finance costs	6,997	3,216	10,213
Capitalised cost of the assets	**108,000**	**12,907**	**120,907**
Lease payments paid in prior years	(31,821)	(579)	(32,400)
Lease payments paid in the year	(27,639)	(5,005)	(32,644)
Lease payments outstanding, including purchase option	**48,540**	**7,323**	**55,863**
Unaccrued finance charges	(2,050)	(186)	(2,236)
Present value of lease payments outstanding, including purchase option (note 21-c and 21-d)	**46,490**	**7,137**	**53,627**
Contract term (years)	2 to 5	10	
Value of purchase options	6,405	5,487	11,892
2013			
Carrying amount	**59,808**	**7,209**	**67,017**
Accumulated depreciation	33,840	3,238	37,078
Cost of the assets	**93,648**	**10,447**	**104,095**
Finance costs	6,172	3,192	9,364
Capitalised cost of the assets	**99,820**	**13,639**	**113,459**
Lease payments paid in prior years	(41,954)	(5,435)	(47,389)
Lease payments paid in the year	(15,450)	(587)	(16,037)
Lease payments outstanding, including purchase option	**42,416**	**7,617**	**50,033**
Unaccrued finance charges	(1,506)	(273)	(1,779)
Present value of lease payments outstanding, including purchase option (note 21-c and 21-d)	**40,910**	**7,344**	**48,254**
Contract term (years)	2 to 5	10	
Value of purchase options	543	5,493	6,036

The detail, by maturity, of the total amount of the lease payments and of their present value at 31 December 2014 is as follows:

	Within one year	Between one and five years	After five years	Total
2014				
Lease payments outstanding, including purchase option	**16,420**	**39,044**	**399**	**55,863**
Unaccrued finance charges	(657)	(1,563)	(16)	(2,236)
Present value of lease payments outstanding, including purchase option	**15,763**	**37,481**	**383**	**53,627**

The finance leases arranged by the Group companies do not include lease payments the amount of which must be determined on the basis of future economic events or indices and, accordingly, in 2014 no expense was incurred in connection with contingent rent.

10.B) Operating leases

The operating lease payments recognised as an expense by the Group as a lessee in the year ended 31 December 2014 amounted to EUR 201,582 thousand (31 December 2013: EUR 205,812 thousand). These payments relate mainly to machinery leased in the Construction Area and to plant and to buildings leased for use by the Group in all the activities carried on by it.

The agreement entered into by the FCC Group and Hewlett Packard Servicios España, S.L. on 19 November 2010, under which the IT Infrastructure Operation Services were outsourced in order to improve efficiency and enable the Group to be more flexible and competitive on an international scale, was renegotiated on 30 May 2014, establishing the final expiration of the agreement in July 2018.

The agreements arranged in prior years include most notably the lease for the office building located in Las Tablas (Madrid), in effect since 23 November 2012 for an 18-year term, extendable at the FCC Group's discretion by two five-year periods, with an annual rent adjustable each year based on the increase in the

CPI. Also worthy of note is the lease agreement entered into in 2011 between Fomento de Construcciones y Contratas, S.A. and the owners of the buildings housing the FCC Group's Central Services offices, located at Federico Salmón 13, in Madrid and at Balmes 36, in Barcelona, for a non-cancellable minimum term of 30 years, extendable at the Group's discretion by two five-year periods, each with an annual rent adjustable each year based on the increase in the CPI. The owners, in turn, granted a purchase option to Fomento de Construcciones y Contratas, S.A., which can be exercised only at the end of the lease term at the higher of fair value and the CPI-adjusted selling price.

At 2014 year-end the non-cancellable future payment obligations relating to operating leases for buildings, structures and IT infrastructure operation services amounted to EUR 483,188 thousand (2013: EUR 428,303 thousand). The detail, by maturity, of the non-cancellable future minimum payments at 31 December 2014 is as follows:

	2014
Within one year	59,321
Between one and five years	151,079
After five years	272,788
	483,188

As a lessor, the FCC Construction Group recognises an insignificant amount of income from investment property (see note 9).

11. SERVICE CONCESSION ARRANGEMENTS

This note presents an overview of the Group's investments in concession businesses, which are recognised under various headings on the asset side of the accompanying consolidated balance sheet.

The following table includes the total amount of the assets held by the Group companies under service concession arrangements and recognised under "Intangible Assets", "Non-Current Financial Assets", "Current Financial Assets" and "Investments Accounted for Using the Equity Method" in the accompanying consolidated balance sheets as at 31 December 2014 and 2013.

	Intangible assets	Financial assets	Joint ventures - concession operators	Associates - concession operators	Total investment
2014					
Water services	1,391,327	30,524	43,645	95,752	1,561,248
Motorways and tunnels	417,613	—	7,502	41,442	466,557
Other	190,986	158,820	18,436	16,289	384,531
TOTAL	**1,999,926**	**189,344**	**69,583**	**153,483**	**2,412,336**
Accumulated amortisation	(578,974)	—	—	—	(578,974)
Impairment losses	(54,705)	—	—	(54,000)	(108,705)
	1,366,247	189,344	69,583	99,483	1,724,657
2013					
Water services	1,336,506	28,507	43,380	80,389	1,488,782
Motorways and tunnels	248,987	—	8,466	33,153	290,606
Other	226,010	124,981	18,255	62,208	431,454
TOTAL	**1,811,503**	**153,488**	**70,101**	**175,750**	**2,210,842**
Accumulated amortisation	(517,587)	—	—	—	(517,587)
Impairment losses	(44,835)	—	—	—	(44,835)
	1,249,081	153,488	70,101	175,750	1,648,420

The core activity of the concessions belonging to the water services business is the integral water cycle, including the collection, transportation, treatment and distribution of water to urban centres -using the distribution networks and complex drinking water treatment facilities- and also the collection and treatment of waste water. This activity comprises both the construction and maintenance of water-supply and sewer networks, desalination plants and drinking water treatment and purification plants. Revenue is generally received on the basis of the customers' use of the service, although in exceptional cases, principally that of desalination plants, the concession grantor guarantees that the operator will receive a specified level of revenue. Accordingly, in most cases the cash flows depend on water consumption which, in general, remains constant over time due, on the one hand, to the reduction arising from the implementation of water saving policies and, on the other, to the increase resulting from the growth of the population. However, in order to ensure the recovery of the concession operator's investment, the contracts normally include regular price revision clauses in which future prices are established on the basis of consumption in previous periods. For the purpose of carrying on their activities, the concession operators either construct or are granted the right to use the distribution and sewer networks, as well as the complex drinking water treatment and purification facilities. Water service concessions are arranged for various different terms, up to a maximum of 75 years, and the facilities are handed over to the grantor at the end of the concession term for no consideration.

The core activity of the concessions belonging to the motorways and tunnels business is the Management, promotion, development and operation of land transport infrastructure, mainly toll motorways and tunnels. This activity comprises both the construction and the subsequent upkeep and maintenance of the aforementioned infrastructure for a substantial concession term that can vary widely from 25 to 75 years. Revenue is normally received on the basis of traffic intensity through both the direct collection of tolls from drivers and a shadow toll. Accordingly, the cash flows vary in relation to traffic intensity and generally tend to increase as the concession term progresses. In certain cases, the cash receipts are fixed, either because payments are made for availability, i.e. when the operator receives a specified amount previously agreed with the grantor in exchange for making the infrastructure available, on the agreed terms, or because the concession grantor guarantees to pay the operator the shortfall between the toll revenue collected from users and a specified amount. The contracts usually encompass both the construction or upgrade of the infrastructure for which the operator receives a right of use and the provision of maintenance services, and the infrastructure is handed over to the grantor at the end of its useful life, generally for no consideration. In certain cases the contracts provide for consideration mechanisms, such as an extension of the concession term or an increase in the toll, that guarantee a minimum return for the concession operator.

It should also be noted that under the concession contracts the concession operators in which the Group holds ownership interests are obliged to purchase or construct, during the term of the related concession, property, plant and equipment items assigned to concessions amounting to EUR 76,720 thousand at 31 December 2014 (31 December 2013: EUR 104,386 thousand).

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 long-term loans granted to such companies which, as indicated in note 2-b, include joint ventures and associates, the detail being as follows:

	2014	2013
Joint ventures	14,795	135,903
Associates	225,009	235,923
	239,804	371,826

The foregoing balances include loans granted to companies accounted for using the equity method, most notably: EUR 7,749 thousand (2013: EUR 10,186 thousand) granted to the jointly controlled entity Empresa Municipal de Aguas de Benalmádena, S.A.; EUR 8,837 thousand (2013: EUR 8,433 thousand) granted to Sociedad Concesionaria Tranvía de Murcia, S.A.; EUR 54,837 thousand (2013: EUR 51,579 thousand) granted to the associate Concessió Estacions Aeroport L9, S.A.; and EUR 11,319 thousand (2013: EUR 9,863 thousand) granted to the associate Aquos El Realito, S.A.

12.A) a) Joint ventures

The breakdown of the joint ventures by company is presented in Appendix II to these consolidated financial statements. The detail of the main companies is as follows:

	2014	2013
Orasqualia for the Development of the Waste Water Treatment Plant	20,221	16,878
Sociedad Concesionaria Tranvía de Murcia, S.A.	19,035	18,415
Zabalgarbi, S.A.	13,466	14,954
Atlas Gestión Medioambiental, S.A.	13,143	13,015
Empresa Municipal de Aguas de Benalmádena, S.A.	9,545	12,168
Mercia Waste Management, Ltd.	10,921	9,556
FCC-Connex Corporación, S.L.	–	12,464
Constructora Nueva Necaxa Tihuatlan, S.A. de C.V.	(43,164)	910
Other	(28,372)	37,543
	14,795	135,903

The negative amounts in the table above relate to provisions recognised, in companies belonging to the Construction Area, to cover risks that may give rise to future losses on work they carry out.

The changes in 2014 and 2013 were as follows:

	Balance at 31-12-2012	Profit (Loss) for the year	Dividends paid	Changes in fair value of financial instruments recognised in reserves	Purchases	Sales	Changes in consolidation method and transfers	Translation differences and other changes	Changes in loans granted	Balance at 31-12-2013
Sociedad Concesionaria Tranvía de Murcia, S.A.	28,185	(1,686)	—	—	—	—	—	—	(8,084)	18,415
Atlas Gestión Medioambiental, S.A.	13,219	497	(700)	—	—	—	—	(1)	—	13,015
FCC-Connex Corporación, S.L.	14,104	(61)	(1,507)	—	—	—	—	(72)	—	12,464
Proactiva Group	54,858	2,674	—	1,594	—	(58,050)	—	(1,076)	—	—
Mercia Waste Management Ltd.	8,829	1,745	(870)	—	—	—	—	(148)	—	9,556
Zabalgarbi, S.A.	16,633	(1,649)	—	(30)	—	—	—	—	—	14,954
Empresa Municipal de Aguas de Benalmádena, S.A.	17,132	671	(851)	(14)	—	—	—	—	(4,770)	12,168
Orasqualia for the Development of the Waste Treatment Plant, S.A.E.	16,785	2,270	—	—	—	—	—	(2,171)	(6)	16,878
Globalvía Group	368,386	—	—	28,893	—	—	—	(397,279)	—	—
Other	51,222	(14,247)	(56)	(149)	435	494	—	1,662	(908)	38,453
Total joint ventures	589,353	(9,786)	(3,984)	30,294	435	(57,556)	—	(399,085)	(13,768)	135,903

	Balance at 31-12-2013	Profit (Loss) for the year	Dividends paid	Changes in fair value of financial instruments recognised in reserves	Purchases	Sales	Changes in consolidation method and transfers	Translation differences and other changes	Changes in loans granted	Balance at 31-12-2014
Sociedad Concesionaria Tranvia de Murcia, S.A.	18,415	215	—	—	—	—	—	1	404	19,035
Atlas Gestión Medioambiental, S.A.	13,015	848	(721)	—	—	—	—	1	—	13,143
FCC-Connex Corporación, S.L.	12,464	—	—	—	—	(12,464)	—	—	—	—
Mercia Waste Management, Ltd.	9,556	3,896	(3,319)	—	—	—	—	788	—	10,921
Zabalgarbi, S.A.	14,954	(1,065)	—	(423)	—	—	—	—	—	13,466
Empresa Municipal de Aguas de Benalmádena, S.A.	12,168	487	(617)	(54)	—	—	—	—	(2,439)	9,545
Orasqualia for the Development of the Waste Treatment Plant, S.A.E.	16,878	1,523	—	—	—	—	—	1,813	7	20,221
Constructora Nuevo Necaxa Tihuatlan, S.A. de C.V.	910	(44,558)	—	—	—	—	—	484	—	(43,164)
Other	37,543	(2,310)	(3,532)	(2,160)	7	(6,025)	(54,318)	5,741	(3,318)	(28,372)
Total joint ventures	135,903	(40,964)	(8,189)	(2,637)	7	(18,489)	(54,318)	8,828	(5,346)	14,795

Following are the main aggregates in the financial statements of the joint ventures, in proportion to the percentage of ownership held therein, at 31 December 2014 and 2013.

	2014	2013
Non-current assets	369,102	370,561
Current assets	237,599	360,253
Non-current liabilities	260,647	253,182
Current liabilities	364,881	379,936
Income statement		
Revenue	270,262	601,145
Profit (Loss) from operations	(40,774)	16,108
Profit (Loss) before tax	(56,772)	(3,734)
Profit (Loss) attributable to the Parent	(40,964)	(9,786)

It should be noted that "Result of Companies Accounted for Using the Equity Method" for 2013 recognised in the consolidated statement of profit or loss includes the result arising from disposals, mainly from the gain obtained on the sale of the Proactiva Group (see notes 5 and 28) amounting to EUR 51,959 thousand, which includes a loss of EUR 12,479 arising from the recognition in results of negative valuation adjustments (which had no impact on equity).

The core activities carried on by the joint ventures consist of the operation of concessions relating to, inter alia, motorways, the integrated water cycle, urban waste handling activities, tunnels and passenger transport.

Guarantees amounting to EUR 32,287 thousand (2013: EUR 93,225 thousand) have been provided, mostly to Government Agencies and private customers, for joint ventures owned jointly with non-FCC Group third parties, as security for the performance of contracts in the Group's various business areas.

12.B) Associates

The breakdown of the associates by company is presented in Appendix III to these consolidated financial statements. The detail of the main companies is as follows:

	2014	2013
Realia Business Group	54,437	—
Cedinsa Group	40,399	32,281
Shariket Tahlya Miyah Mostaganem	28,482	24,841
Cleon, S.A.	25,656	25,649
Concessió Estacions Aeroport L9, S.A.	18,749	60,802
Aquos El Realito, S.A. de C.V.	16,064	14,242
Metro de Málaga, S.A.	13,672	13,672
Tirme Group	13,015	11,663
Shariket Miyeh Ras Djinet, SpA	11,063	9,872
Suministro de Agua de Queretaro, S.A. de C.V.	10,922	10,564
Aguas del Puerto Empresa Municipal, S.A.	9,043	—
Metro de Lima Línea 2, S.A.	8,347	—
N6 (Construction) Limited	(38,517)	(38,733)
Other	13,677	71,070
	225,009	235,923

The changes in 2014 and 2013 were as follows:

	Balance at 31-12-2012	Profit (Loss) for the year	Dividends paid	Changes in fair value of financial instruments recognised in reserves	Purchases	Sales	Changes in consolidation method and transfers	Translation differences and other changes	Changes in loans granted	Balance at 31-12-2013
Autopistas del Valle, S.A.	6,394	6,644	(6,571)	—	—	(5,073)	—	(350)	—	1,044
Alpine Holding, GmbH	41,994	—	—	—	—	(13,517)	—	—	(28,477)	—
Cedinsa Group	44,481	(2,051)	(1,563)	(12,311)	3,995	—	—	(269)	(1)	32,281
Cleon, S.A.	25,610	(64)	—	—	—	—	—	—	103	25,649
Concessió Estacions Aeroport L9, S.A.	37,124	8,890	(1,942)	16,731	—	—	—	(1)	—	60,802
Tirme Group	11,131	1,044	(514)	—	—	—	—	2	—	11,663
Aquos El Realito, S.A. de C.V.	8,791	277	—	(1,502)	—	—	—	(312)	6,988	14,242
Shariket Miyeh Ras Djinet, SpA	8,557	1,617	—	—	—	—	—	(302)	—	9,872
Shariket Tahlya Miyah Mostaganem, SpA	20,091	5,493	—	—	—	—	—	(743)	—	24,841
Suministro de Agua de Queretaro, S.A. de C.V.	15,937	1,363	(1,187)	—	—	—	—	(613)	(4,936)	10,564
Metro de Málaga, S.A.	13,672	—	—	—	—	—	—	—	—	13,672
N6 (Construction) Limited	(37,339)	(1,393)	—	—	—	—	—	(1)	—	(38,733)
Realia Business Group	56,609	(29,145)	—	8,241	—	—	(94,104)	58,399	—	—
Other	92,634	(15,561)	(2,335)	3,341	2,438	(2,533)	—	3,196	(11,154)	70,026
Total associates	345,686	(22,886)	(14,112)	14,500	6,433	(21,123)	(94,104)	59,006	(37,477)	235,923

	Balance at 31-12-2013	Profit (Loss) for the year	Dividends paid	Changes in fair value of financial instruments recognised in reserves	Purchases	Sales	Changes in consolidation method and transfers	Translation differences and other changes	Changes in loans granted	Balance at 31-12-2014
Autopistas del Valle, S.A.	1,044	108	(102)	—	—	—	—	136	—	1,186
Cedinsa Group	32,281	481	(3,128)	10,787	—	(20)	—	(2)	—	40,399
Cleon, S.A.	25,649	(11)	—	—	—	—	—	—	18	25,656
Concessió Estacions Aeroport L9, S.A.	60,802	10,914	(4,640)	(51,583)	—	—	—	(1)	3.257	18,749
Metro de Lima Línea 2, S.A.	—	—	—	—	8,583	—	—	(236)	—	8,347
Tirme Group	11,663	2,762	(1,176)	—	—	—	—	(234)	—	13,015
Aguas del Puerto Empresa Municipal, S.A.	—	(365)	—	—	4,295	—	—	—	5,113	9,043
Aguas El Realito, S.A. de C.V.	14,242	810	—	(491)	—	—	—	47	1,456	16,064
Shariket Miyeh Ras Djinet, SpA	9,872	1,085	—	—	—	—	—	106	—	11,063
Shariket Tahlya Miyah Mostaganem, SpA	24,841	3,374	—	—	—	—	—	267	—	28,482
Suministro de Agua de Queretaro, S.A. de C.V.	10,564	1,417	(1,177)	—	—	—	—	118	—	10,922
Metro de Málaga, S.A.	13,672	—	—	—	—	—	—	—	—	13,672
N6 (Construction) Limited	(38,733)	216	—	—	—	—	—	—	—	(38,517)
Realia Business Group	—	(35,807)	—	4,858	—	—	94,104	(8,718)	—	54,437
Other	70,026	(33,296)	(2,894)	(5,978)	1,396	(4,492)	—	(11,682)	(589)	12,491
Total associates	235,923	(48,312)	(13,117)	(42,407)	14,274	(4,512)	94,104	(20,199)	9,255	225,009

With regard to the table above, note should be made of the transfer from assets held for sale of the ownership interest in Realia Business, arising from the decision not to sell it. Of note in 2013 was the decrease due to the transfer to discontinued operations (see note 4) of the Realia Business Group, included in the "Translation Differences and Other Changes" column, and the decrease arising from the exclusion due to de-consolidation of the Alpine Group, due to the liquidation process in which it is currently involved (see note 4).

The detail of the assets, liabilities, revenue and profit or loss for 2014 and 2013 of the associates, in proportion to the percentage of ownership held in each associate, is as follows:

	2014	2013
Non-current assets	1,862,974	2,327,534
Current assets	776,534	616,064
Non-current liabilities	1,899,066	1,937,256
Current liabilities	536,639	411,488
Revenue	314,064	309,587
Profit (Loss) from operations	73,437	40,871
Profit (Loss) before tax	(42,115)	(22,489)
Profit (Loss) attributable to the Parent	(48,312)	(22,886)

13. JOINT ARRANGEMENTS JOINT OPERATIONS

As indicated in note 2-b, in the section entitled "Joint ventures", the Group companies undertake certain of their business activities by participating in contracts that are operated jointly with other non-Group venturers, mainly through unincorporated temporary joint ventures and other similar entities; these contracts were proportionately consolidated in the accompanying consolidated financial statements.

Following are the main aggregates of the joint arrangements included in the various line items in the accompanying consolidated balance sheet and consolidated statement of profit or loss, in proportion to the ownership interest held therein, at 31 December 2014 and 2013.

	2014	2013
Non-current assets	151,783	128,347
Current assets	1,154,668	1,299,069
Non-current liabilities	53,010	57,329
Current liabilities	1,225,749	1,271,046
Income statement		
Revenue	883,693	1,090,901
Gross profit (loss) from operations	116,630	150,931
Net profit (Loss) from operations	87,476	128,892

At 2014 year-end the property, plant and equipment purchase commitments entered into directly by the joint arrangements amounted to EUR 11,372 thousand (2013: EUR 22,349 thousand), calculated on the basis of the percentage of ownership of the Group companies.

The arrangements managed through unincorporated temporary joint ventures, silent partnerships and other similar entities require the venturers to share joint and several liability for the business activity carried on.

Guarantees amounting to EUR 1,285,413 thousand (2013: EUR 1,836,993 thousand) were provided, mostly to Government Agencies and private customers, for joint arrangements managed jointly with non-Group third parties as security for the performance of construction projects and urban cleaning contracts

14. NON-CURRENT FINANCIAL ASSETS AND OTHER CURRENT FINANCIAL ASSETS

The breakdown of the most significant items under "Non-Current Financial Assets" and "Other Current Financial Assets" in the accompanying consolidated balance sheet is as follows:

14.A) Non-current financial assets

The detail of the non-current financial assets at 31 December 2014 and 2013 is as follows:

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	Total
2014						
Equity instruments	-	44,171	-	-	-	44,171
Debt securities	-	-	-	697	-	697
Derivatives	1,820	-	-	-	-	1,820
Other financial assets	7,876	-	372,110	-	-	379,986
	9,696	44,171	372,110	697	-	426,674
2013						
Equity instruments	-	44,037	-	-	-	44,037
Debt securities	-	-	-	404	-	404
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	342,358	-	-	342,358
	-	44,037	342,358	404	-	386,799

14.A.1) Available-for-sale financial assets

Breakdown of the balance at 31 December 2014 and 2013:

	Effective percentage of ownership	Fair value
2014		
Ownership interests of 5% or more:		
World Trade Center Barcelona, S.A.	16.52%	6,036
Vertederos de Residuos, S.A.	16.03%	9,128
Consorcio Traza, S.A.	16.60%	8,624
Other		6,856
Ownership interests of less than 5%:		
Xfera Móviles, S.A.	3.44%	11,215
Other		2,312
		44,171

	Effective percentage of ownership	Fair value
2013		
Ownership interests of 5% or more:		
World Trade Center Barcelona, S.A.	16.52%	6,036
Vertederos de Residuos, S.A.	16.03%	9,128
Consorcio Traza, S.A.	16.60%	8,624
Other		5,763
Ownership interests of less than 5%:		
Xfera Móviles, S.A.	3.44%	11,215
Other		3,271
		44,037

It should be noted that at 31 December 2014 Fomento de Construcciones y Contratas, S.A. had granted loans to Xfera Móviles, S.A. totalling EUR 24,114 thousand (2013: same amount) and had provided guarantees for it amounting to EUR 12,384 thousand (2013: same amount).

14.A.2) Loans and receivables

The scheduled maturities of the loans and accounts receivable by the Group companies from third parties are as follows:

	2016	2017	2018	2019	2020 and subsequent years	Total
Deposits and guarantees	4,874	1,388	143	312	36,908	**43,625**
Non-trade loans	20,663	26,858	9,799	9,203	90,497	**157,020**
Non-current collection rights - concession arrangement (notes 3-a and 11)	36,022	3,906	5,182	6,031	120,324	**171,465**
	61,559	32,152	15,124	15,546	247,729	372,110

The non-trade loans include mainly the amounts granted to Government Agencies for the refinancing of debt in the water service and urban cleaning businesses, which earn interest at market rates, in addition to the loans granted to Xfera Móviles, S.A. referred to in the preceding section. In 2014 there were no events that raised doubts concerning the recovery of these collection rights.

The deposits and guarantees relate basically to those required legally or contractually in the course of the Group companies' activities, such as deposits for electricity connections, construction completion bonds, property lease security deposits, etc.

14.B) Other current financial assets

The detail of "Other Current Financial Assets" at 31 December 2014 and 2013 is as follows:

	Financial assets at fair value through profit or loss	Loans and receivables	Held-to-maturity investments	Hedging derivatives	Total
2014					
Equity instruments	50	—	—	—	50
Debt securities	—	—	74	—	74
Derivatives	—	—	—	—	—
Deposits and guarantees given	—	58,915	—	—	58,915
Other financial assets	—	314,820	6,539	—	321,359
	50	373,735	6,613	—	380,398
2013					
Equity instruments	743	—	—	—	743
Debt securities	—	—	238	—	238
Derivatives	—	—	—	—	—
Deposits and guarantees given	—	46,631	—	—	46,631
Other financial assets	—	342,428	6,291	—	348,719
	743	389,059	6,529	—	396,331

Other Current Financial Assets" in the accompanying consolidated balance sheet includes current financial assets which, maturing at more than three months in order to cater for certain specific cash situations, are classified as held-for-trading financial assets, held-to-maturity investments or loans and receivables, based on the initial nature of the investments. "Loans and Receivables" consists mainly of loans granted and other receivables from joint ventures and associates in the Construction Area amounting to EUR 228,807 thousand, loans to third parties amounting to EUR 44,993 thousand, deposits at banks amounting to EUR 18,054 thousand and accounts receivable for concession services (financial asset model) amounting to EUR 17,879 thousand.

The average rate of return obtained in this connection is the market return according to the term of each investment.

15. INVENTORIES

The detail of "Inventories" as at 31 December 2014 and 2013 is as follows:

		2014		2013
Property assets		337,953		353,222
Raw materials and other supplies		277,367		309,744
Construction	154,652		189,464	
Cement	87,915		82,770	
Integral Water Management	12,529		12,687	
Environmental Services	22,271		24,823	
Finished goods		22,171		23,568
Advances		123,090		111,730
		760,581		798,264

"Property Assets" includes building lots earmarked for sale that were acquired by the FCC Construcción Group mainly in exchange for completed or outstanding construction work. This heading also includes "Property Assets" in progress for which there are sale commitments representing a final value on delivery to customers of EUR 14,368 thousand (2013: EUR 24,345 thousand). The advances paid by certain customers for the aforementioned "property assets" are secured by insurance contracts or bank guarantees, pursuant to the requirements of Law 57/1968, of 27 July, as amended by Law 38/1999, of 5 November. The detail of the main unsold real estate products in the Construction Area is as follows:

	2014	2013
Properties in Badalona (Barcelona)	13,236	13,236
Properties in Ensanche Vallecas (Madrid)	—	6,006
Properties in Sant Joan Despí (Barcelona)	43,820	48,030
Properties in Tres Cantos (Madrid)	109,460	103,650
Residential development - Pino Montano (Sevilla)	14,055	16,006
Atlético de Madrid land lots (Madrid)	58,506	36,658
Residential development - Vitoria (Álava)	7,037	8,727
Building - Calle Barquillo (Madrid)	—	11,500
Other properties and developments	69,819	87,554
	315,933	331,367

The real estate inventories were measured mainly based on end market references, calculating the terminal value of the land with respect to its current market value where the inventories are located. Where purchase offers have been received, the price of such offers was used for their measurement and, ultimately, when it was impossible to use that methodology, the exit price in the auctions held by the Bank Restructuring Asset Management Company (SAREB) was used as a reference. A write-down of EUR 16,250 thousand was recognised in 2014 in relation to certain properties in Toledo (Spain).

As a result of these measurements, a real estate inventory write-down of EUR 16,305 thousand was recognised in 2014 (31 December 2013: EUR 63,256 thousand), and the total accumulated write-down amounted to EUR 178,034 thousand (31 December 2013: EUR 193,303 thousand). A provision of EUR 34,000 thousand was also recognised to cover real estate-related risks in the Construction Area (see notes 20 and 28).

Certain of the aforementioned "property assets" have been pledged as the required security for the deferred payment of taxes and social security contributions authorised by the Public Authorities, as indicated in notes 22 and 23 to these consolidated financial statements.

At 2014 year-end there were no significant property asset purchase commitments.

"Raw Materials and Other Supplies" includes the installations required to execute construction work that have not yet been included in the construction projects, storable construction materials and items, materials for the assembly of street furniture, replacement parts, fuel and other materials required to carry on the business activities.

At 31 December 2014, there were no material differences between the fair value and the carrying amount of the assets recognised.

16. TRADE AND OTHER RECEIVABLES

16.A) Trade receivables for sales and services

"Trade Receivables for Sales and Services" in the accompanying consolidated balance sheet includes the present value of revenue receivable, measured as indicated in note 3-s, contributed by the various activities of the Group and which are the basis of the result from operations.

The detail of the balance of accounts receivable from non-Group debtors at 31 December 2014 and 2013 is as follows:

	2014	2013
Progress billings receivable and trade receivables for sales	1,219,271	1,352,974
Amounts to be billed for work performed	674,972	777,989
Retentions	33,633	64,891
Production billed to associates and jointly controlled entities	83,158	96,021
Trade receivables for sales and services	2,011,034	2,291,875
Advances received on orders (note 23)	(775,516)	(771,470)
Total net balance of trade receivables for sales and services	**1,235,518**	**1,520,405**

The foregoing total is the net balance of trade receivables, after considering the adjustments for the risk of doubtful debts amounting to EUR 394,349 thousand (31 December 2013: EUR 352,079 thousand) and after deducting the balance of the item "Trade and Other Payables - Advances Received on Orders" on the liability side of the accompanying consolidated balance sheet. This item also includes the amounts of progress billings in various connections, irrespective of whether or not they have been collected.

"Progress Billings Receivable and Trade Receivables for Sales" reflects the amount of the progress billings to customers for completed work and services not yet collected as at the consolidated balance sheet date.

The difference between the amount of the production recognised from inception of each project and contract in progress, measured as explained in note 3-s, and the amount of the progress billings up to the date of the consolidated financial statements is included under "Amounts to Be Billed for Work Performed".

At 2014 year-end trade receivables amounting to EUR 161,611 thousand had been factored to banks without recourse against the Group companies in the event of default (31 December 2013: EUR 290,473 thousand). This amount was deducted from the balance of "Progress Billings Receivable and Trade Receivables for Sales". Also, the Group sold EUR 34,994 thousand of future collection rights arising from construction contracts awarded under the "total price payment" system (31 December 2013: EUR 163,739 thousand). This amount was deducted from the balance of "Amounts to Be Billed for Work Performed".

The second Municipal Council and Autonomous Community Government payment plan included in Spanish legislation took effect in 2013. This gave rise to collections of outstanding invoices by the FCC Group amounting to approximately EUR 225 million.

16.B) Other receivables

The detail of "Other Receivables" at 31 December 2014 and 2013 is as follows:

	2014	2013
Public Administrations - VAT refundable (note 25)	94,871	134,692
Public Administrations - Other tax receivables (note 25)	79,716	38,977
Other receivables	194,411	238,303
Advances and loans to employees	4,730	5,536
Current tax assets (note 25)	14,308	34,163
Total other receivables	**388,036**	**451,671**

17. CASH AND CASH EQUIVALENTS

Until the financing agreement of FCC, S.A. came into effect in June 2014, cash Management was aimed at being fully optimised, retaining as little available funds as possible in bank accounts in order to repay working capital financing lines.

However, the signing of the syndicated agreement gave rise to the repayment of all the bilateral financing lines of the consolidated companies, with the undrawn balances included in cash.

In other words, working capital needs started to be managed using cash and not credit facilities.

The cash of the directly -or indirectly- controlled subsidiaries is managed on a centralised basis. The cash positions of these investees flow to the Parent for their optimisation.

“Cash and Cash Equivalents” includes the Group’s cash and short-term bank deposits with an initial maturity of three months or less.

In both 2014 and 2013 these balances earned interest at market rates.

The detail, by currency, of cash and cash equivalents in 2014 and 2013 is as follows:

	2014	2013
Euro	980,950	538,430
US dollar	78,549	139,460
Pound sterling	198,080	111,734
Czech koruna	17,288	13,817
Europe (other currencies)	15,165	18,598
Latin America (various currencies)	28,265	39,128
Other	218,851	126,455
Total	1,537,148	987,622

18. EQUITY

The accompanying consolidated statements of changes in equity for the years ended 31 December 2014 and 2013 show the changes in equity attributable to the shareholders of the Parent and to the non-controlling interests in those years.

I. Equity attributable to the Parent

On 27 November 2014, the Board of Directors of Fomento de Construcciones y Contratas, S.A. resolved to increase capital by a par value of EUR 133,269,083 by issuing 133,269,083 new ordinary shares of EUR 1 par value each, which were admitted to listing on the Spanish Stock Market Interconnection System on 22 December 2014. Capital was increased with a share premium of EUR 6.5 for each of the new shares issued, which resulted in an increase of EUR 841,749 in the total share premium, including the expenses, net of tax, incurred in the capital increase, which amounted to EUR 24,500 thousand.

The impact of the capital increase on the equity of the FCC Group is detailed in the following table:

Capital increase	133,269
Share capital	**133,269**
Increase in share premium	866,249
Expenses incurred in the capital increase, net of tax	(24,500)
Retained earnings and other reserves	**841,749**
Finance income arising from debt reduction (note 28-f)	135,000
Initial arrangement fees recognised in the consolidated statement of profit or loss (note 28-f)	(35,114)
Tax effect	(29,966)
Profit (Loss) for the year attributable to the Parent	**69,920**
Total effect on equity	1,044,938

The funds obtained through the capital increase were used partially to repay the debt relating to Tranche B of the financial borrowings of Fomento de Construcciones y Contratas, S.A. regulated in the refinancing agreement in force from 26 June 2014 amounting to EUR 900,000 thousand, after a 15% debt reduction granted by the lender banks amounting to EUR 135,000 thousand. In addition, in December 2014 EUR 100,000 thousand were used to repay the debt of Azincourt Investment, S.L. and another EUR 100,000 thousand were used to repay the debt of Cementos Portland Valderrivas, S.A. arising from the financial support agreement entered into between Fomento de Construcciones y Contratas, S.A. and its creditor banks. This latest contribution to Cementos Portland Valderrivas, S.A. was paid in February 2015.

a) Share capital

The share capital of Fomento de Construcciones y Contratas, S.A. consists of 260,572,379 book-entry ordinary shares of EUR 1 par value each.

All the shares carry the same rights and have been fully subscribed and paid.

The shares of Fomento de Construcciones y Contratas, S.A. are included in the selective Ibex 35 index, are publicly listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and are traded through the Spanish Stock Market Interconnection System.

With regard to share capital of over 10% owned by other companies either directly or through their subsidiaries, according to information furnished and as a result of the capital increase, Control Empresarial de Capitales, S.A. de C.V., which is wholly owned by Inmobiliaria Carso, S.A. de C.V., which is in turn controlled by the Slim family, owns 25.63%. B-1998, S.A. also has a direct and indirect ownership interest of 22.43% in the share capital, after the non-controlling interests Larranza XXI, S.L. and CaixaBank, S.A. ceased to hold ownership interests in it. B-1998, S.A. is controlled by Mrs. Esther Koplowitz Romero de Juseu (100%, after the change in the shareholder structure, communicated on 19 January 2015).

Mrs. Esther Koplowitz Romero de Juseu also directly owns 123,313 shares of Fomento de Construcciones y Contratas, S.A., as well as 39,214 shares indirectly through Dominum Desga, S.A., Ejecución y Organización de Recursos, S.L., E.A.C. Inversiones Corporativas, S.L. and Dominum Dirección y Gestión, S.A.

b) Retained earnings and other reserves

The breakdown of "Retained Earnings and Other Reserves" in the accompanying consolidated balance sheet as at 31 December 2014 and 2013 is as follows:

	2014	2013
Reserves of the Parent	853,827	448,567
Consolidation reserves	172,461	1,231,577
	1,026,288	1,680,144

b.1) Reserves of the Parent

"Reserves of the Parent" 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 2014 and 2013 is as follows:

	2014	2013
Share premium	1,083,882	242,133
Legal reserve	26,114	26,114
Reserve for retired capital	6,034	6,034
Voluntary reserves	(262,203)	174,286
	853,827	448,567

Share premium

The Consolidated Text of the Spanish Limited Liability Companies Law expressly 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

Under the Consolidated Text of the 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 can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Reserve for retired capital

This reserve includes the par value of the treasury shares retired in 2002 and 2008 with a charge to unrestricted reserves, in accordance with Article 335.c of the Spanish Limited Liability Companies Law. The reserve for retired shares is restricted, unless the same requirements as those stipulated for capital reductions are met.

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 in accordance with current legislation.

b.2) Consolidation reserves

"Consolidation Reserves" in the accompanying consolidated balance sheet includes the consolidated reserves generated in each of the business areas since their inclusion in the Group. In accordance with IAS 27 "Separate Financial Statements", it also includes those arising from changes in the ownership interests in Group companies, where control is retained, for the difference between the amount of the further acquisition or sale and the carrying amount of the ownership interest. Also, in accordance with IAS 19 "Employee Benefits", "Consolidation Reserves" includes the actuarial gains and losses on pension and other employee benefit obligations. The detail of the amounts included under "Consolidation Reserves" at 31 December 2014 and 2013 is as follows:

	2014	2013
Environmental services	114,199	245,184
Water	425,644	371,811
Construction	(327,680)	100,790
Cement	172,707	184,484
Corporate	(212,409)	329,308
	172,461	1,231,577

The changes in "Consolidation Reserves" from 2013 to 2014 were a result mainly of the distribution of the profit for 2013. Other significant changes were as follows:

- In 2014 Cementos Portland Valderrivas converted the participating loan from Fomento de Construcciones y Contratas, S.A. plus the related interest into capital. This resulted in 7.78% increase in the effective percentage of ownership which the FCC Group had in Cementos Portland Valderrivas. This change in ownership interest resulted in an increase of EUR 22,368 thousand in the consolidation reserves of the FCC Group and a decrease of the same amount in "Non-Controlling Interests".

- In 2013 the FCC Group sold 49% of its water business in the Czech Republic. This transaction had a positive impact of EUR 60,729 thousand on "Consolidation Reserves".

- In 2013 the Cementos Portland Valderrivas Group performed a share swap transaction with the CRH Group, whereby it transferred its ownership interest in the Cementos Lemona Group, receiving 26.34% of the shares of Corporación Uniland in exchange. This transaction, which had no effect on cash, resulted in a decrease of EUR 105,697 thousand in "Consolidation Reserves" for the FCC Group.

c) Treasury shares

"Treasury Shares" includes the shares of the Parent owned by it or by other Group companies, measured at acquisition cost.

The Board of Directors and the subsidiaries were authorised by the shareholders at the Annual General Meeting of Fomento de Construcciones y Contratas, S.A. to derivatively acquire treasury shares, with the limits and in accordance with the requirements of Article 144 et seq. of the Spanish Limited Liability Companies Law.

The changes in treasury shares in 2014 and 2013 were as follows:

Balance at 31 December 2012	(345,019)
Sales	457,522
Acquisitions	(118,606)
Balance at 31 December 2013	(6,103)
Sales	141,800
Acquisitions	(140,975)
Balance at 31 December 2014	(5,278)

The detail of treasury shares at 31 December 2014 and 2013 is as follows:

	2014		2013	
	Number of Shares	Amount	Number of Shares	Amount
Fomento de Construcciones y Contratas, S.A.	232,747	(5,278)	280,670	(6,103)
	232,747	(5,278)	280,670	(6,103)

At 31 December 2014, the shares of the Parent owned by it or by its subsidiaries represented 0.09% of the share capital (31 December 2013: 0.22%).

d) Other equity instruments

In accordance with IAS 32 "Financial Instruments: Presentation", "Other Equity Instruments" includes the measurement of the equity component resulting from accounting for the issue of bonds convertible into shares of the Parent, which when added to the amount expressed under "Debt Instruments and Other Marketable Securities" in the accompanying consolidated balance sheet, makes up the total amount of the issue of such bonds (see note 21).

In October 2009 Fomento de Construcciones y Contratas, S.A. launched an issue of bonds exchangeable for shares of the Company, maturing on 30 October 2014. Certain terms and conditions were amended and approved by the General Assembly of the Syndicate of Bondholders on 5 May 2014 and by the shareholders at the Company's Annual General Meeting on 23 June 2014. The main features following the amendments are as follows:

- The amount of the issue was EUR 450,000,000 with final maturity on 30 October 2020. On 12 May 2014, EUR 200,000 of bonds were converted into 5,284 treasury shares of the Company.
- The bonds were issued at par with a face value of EUR 50,000.
- The bonds accrue interest at a fixed annual rate of 6.50% payable every six months.
- The exchange price of the bonds for shares of the Company was adjusted and set at EUR 30.00 per ordinary share, resulting in each nominal amount of EUR 50,000 in bonds entitling the owner to receive 1,666.66 ordinary shares. Subsequently, and as a result of the dilution arising from the capital increase, the conversion price was adjusted to EUR 22.19 per ordinary share, effective from 1 December 2014, resulting in each nominal amount of EUR 50,000 in bonds entitling the owner to receive 2,253.27 ordinary shares.
- The entitlement to convert the bonds may be exercised at the request of each of the holders, at any time until 30 October 2020, pursuant to the terms and conditions of the bonds.

- A new case of optional repayment for the issuer from 30 October 2018 is included.
- Following the restructuring, the convertible bonds are no longer subordinated.

It should also be noted in relation to this transaction that the Group has a trigger call option that allows it to call the bonds, valued at EUR 1,820 thousand at 31 December 2014, under certain circumstances (see note 14).

e) Valuation adjustments

The detail of "Valuation Adjustments" in the accompanying consolidated balance sheets as at 31 December 2014 and 2013 is as follows:

	2014	2013
Changes in fair value of financial instruments	(244,059)	(204,156)
Translation differences	(77,126)	(123,613)
	(321,185)	(327,769)

e.1) Changes in fair value of financial instruments:

"Changes in Fair Value of Financial Instruments" includes the changes, net of taxes, in the fair value of available-for-sale financial assets (see note 14) and of cash flow hedging derivatives (see note 24).

The detail of the adjustments due to changes in the fair value of financial instruments at 31 December 2014 and 2013 is as follows:

	2014		2013	
Available-for-sale financial assets		**6,851**		**9,315**
Vertederos de Residuos, S.A.	8,020		8,020	
Other	(1,169)		1,295	
Financial derivatives		**(250,910)**		**(213,471)**
Fomento de Construcciones y Contratas, S.A.	(1,941)		(4,234)	
Azincourt Investment, S.L.	(1,808)		—	
Urbs Iudex et Causidicus, S.A.	(36,475)		(30,169)	
Realia Business Group	—		(2,135)	
Globalvía Group	(68,401)		(41,465)	
FCC Environment (UK) Group	(19,398)		(15,803)	
Cedinsa Group	(25,906)		(36,465)	
Concessió Estacions Aeroport L9, S.A.	(87,107)		(35,523)	
Energy Group	—		(39,201)	
Other	(9,874)		(8,476)	
		(244,059)		(204,156)

Of note in the table above is the change in the Energy Group, as a result of the recognition of its valuation adjustments in the consolidated statements of profit or loss due to its sale (see note 4).

e.2) Translation differences

The detail of the amounts included under "Translation Differences" for each of the most significant companies at 31 December 2014 and 2013 is as follows:

	2014		2013	
European Union:				
FCC Environment (UK) Group	(91,939)		(106,531)	
Dragon Alfa Cement Limited	(1,976)		(2,156)	
Other	(2,591)	(96,506)	(9,879)	(118,566)
USA:				
FCC Construcción de América Group	8,041		(3,786)	
Globalvía Group	6,723		(1,300)	
Giant Cement Holding, Inc.	(2,254)		(10,635)	
Cemusa Group	(4,142)		(3,881)	
Other	785	9,153	(4,012)	(23,614)
Latin America:				
Globalvía Group	22,123		23,299	
Cemusa Group	2,596		2,838	
FCC Construcción de América Group	(7,771)		(2,534)	
Other	351	17,299	(377)	23,226
Other currencies		(7,072)		(4,659)
		(77,126)		(123,613)

The changes in 2014 were the result mainly of the depreciation of the euro against the pound sterling and the US dollar.

The detail, by geographical market, of the net investment in currencies other than the euro (translated to euros as described in note 3-k) is as follows:

	2014	2013
UK	346,827	523,706
USA	123,594	226,942
Latin America	108,921	84,222
Czech Republic	184,933	72,307
Other	164,815	152,088
	929,090	1,059,265

f) Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the Parent by the weighted average number of ordinary shares outstanding in 2014, resulting in a loss per share of EUR 5.70 in 2014 (2013: loss per share of EUR 12.73).

In relation to the bond issue described in paragraph d) above, it should be noted that dilutive effects could exist if the bondholders were to exercise the conversion option under certain conditions. Under IAS 33 "Earnings per Share", diluted earnings per share shall be calculated by adjusting the weighted average number of shares outstanding under the assumption that all the bonds have been converted into ordinary shares. In addition, the earnings attributable to the Parent shall be adjusted by increasing them by the amount of the interest, net of the tax effect, relating to the bonds recognised in the accompanying consolidated income statement. In accordance with the resulting calculations, in both 2014 and 2013 there was no dilution of the loss per share.

II. Non-controlling interests

"Non-Controlling Interests" 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 detail of "Non-Controlling Interests" at 31 December 2014 and 2013 in relation to the main companies is as follows:

	Equity			
	Share capital	Reserves	Profit or loss	Total
2014				
Cementos Portland Valderrivas Group	16,004	143,850	(11,454)	148,400
Aqualia Czech	33,958	12,681	(4,426)	42,213
Other	18,273	8,096	6,761	33,130
	68,235	164,627	(9,119)	223,743
2013				
Cementos Portland Valderrivas Group	15,774	184,599	(21,716)	178,657
Aqualia Czech	33,958	9,212	(4,467)	38,703
Other	16,161	4,279	2,172	22,612
	65,893	198,090	(24,011)	239,972

The main change in 2014 in the amount of the non-controlling interests of the Cementos Portland Valderrivas Group was a result of the conversion of the participating loan from Fomento de Construcciones y Contratas, S.A. plus the related interest into capital. This resulted in a 7.78% increase in the effective percentage of ownership which the FCC Group had in Cementos Portland Valderrivas. This change in ownership interest resulted in a decrease of EUR 20,036 thousand in non-controlling interests of the Cementos Portland Valderrivas Group. This amount is broken down into a decrease of EUR 22,368 thousand in consolidation reserves and an increase of EUR 2,332 thousand in valuation adjustments.

In 2013 the amount of the non-controlling interests of the Cementos Portland Valderrivas Group decreased as a result of the share swap whereby the non-controlling interests of Corporación Uniland were received. The effect of this transaction on the FCC Group was a decrease of EUR 216,190 thousand in non-controlling interests.

Also, the sale of 49% of the water business in the Czech Republic in 2013 resulted in ownership interests held by new non-controlling interests, including most notably the EUR 38,703 thousand corresponding to Aqualia Czech.

19. EQUITY INSTRUMENT-BASED TRANSACTIONS

In accordance with a resolution adopted by the Board of Directors on 29 July 2008, Fomento de Construcciones y Contratas, S.A. had a cash settlement-based remuneration plan in force for the Executive Directors and Executives linked to the value of the Company's shares. The participants in the plan would have received a cash amount equivalent to the difference between the value of the shares at the date of exercise and at the reference date set in the plan. This plan was divided into two tranches with final maturities in October 2013 and February 2014, respectively. The value of the share during the exercise period did not at any time exceed the exercise price set and, accordingly, no option was exercised in either case. Consequently, no cash outflow took place.

Initially, the Company arranged with financial institutions a call option and a put option for each of the tranches described above, together with an interest rate/dividend swap with the same exercise price, nominal amount and maturity as the plan. The treasury shares linked to this hedge were delivered to the aforementioned financial institutions. On final maturity of the transaction in February 2014, the aforementioned derivative instruments were settled. The impact on results is described in note 24 to the accompanying consolidated financial statements.

20. LONG-TERM AND SHORT-TERM PROVISIONS

The detail of the provisions as at 31 December 2014 and 2013 is as follows:

	2014		2013	
Long-term		**1,157,870**		**1,092,483**
Long-term employee benefit obligations	86,620		56,644	
Dismantling, removal and restoration of non-current assets	132,896		130,385	
Environmental activities	222,486		198,409	
Litigation	92,657		124,002	
Contractual and legal guarantees and obligations	99,677		111,103	
Other long-term provisions	523,534		471,940	
Short-term		**288,469**		**341,375**
Construction contract settlement and contract losses	269,602		329,733	
Other short-term provisions	18,867		11,642	

The changes in "Long-Term Provisions" and "Short-Term Provisions" in 2014 and 2013 were as follows:

	Long-term provisions	Long-term provisions
Balance at 31-12-12	1,154,967	303,575
Environmental expenses for the removal or dismantling of assets	16,226	—
Changes in employee benefit obligations arising from actuarial gains or losses	(12,126)	—
Measures to upgrade concessions or expand concession capacity	20,130	
Provisions recognised/(reversed)	251,696	189,840
Amounts used	(207,042)	(27,141)
De-consolidation of the Alpine Group	(97,558)	(127,515)
Transfer to "Liabilities Associated with Non-Current Assets Classified as Held for Sale"	(21,882)	(540)
Changes in the scope of consolidation, translation differences and other changes	(11,928)	3,156

	Long-term provisions	Long-term provisions
Balance at 31-12-13	1,092,483	341,375
Environmental expenses for the removal or dismantling of assets	2,027	—
Changes in employee benefit obligations arising from actuarial gains or losses	24,130	—
Measures to upgrade concessions or expand concession capacity	10,290	—
Provisions recognised/(reversed)	138,292	(36,150)
Amounts used	(147,396)	(6,645)
Changes in the scope of consolidation, translation differences and other changes	38,044	(10,111)
Balance at 31-12-14	1,157,870	288,469

"Provisions Recognised/(Reversed)" includes most notably a portion of the contribution of the Construction Area, which includes short-term provisions of EUR 81,030 thousand relating to construction contract settlement and contract losses at 31 December 2014 (31 December 2013: EUR 132,702 thousand) and a period provision of EUR 34,000 thousand for risks relating to the property business in the Construction Area. A provision of EUR 64,000 thousand was also recognised at Corporate to cover the challenge to the sale of Alpine Energie (see note 28). In 2013 provisions amounting to EUR 121,882 thousand were recognised to cover risks related to Alpine Holding. In addition, long-term provisions of EUR 49,708 thousand were recognised for expenses arising from the second workforce restructuring process in the Construction Area and of EUR 46,672 thousand for restructuring costs in the Cement Area. The Environmental Services business contributed period provisions of EUR 18,209 thousand (31 December 2013: EUR 16,910 thousand) for environmental activities and a reversal of EUR 6,156 thousand (31 December 2013: period provision of EUR 13,017 thousand) for contractual and legal guarantees and obligations. In addition, the additions to provisions recognised in 2014 include EUR 35,095 thousand (2013: EUR 17,815 thousand) relating to the interest cost corresponding to the provisions.

"Environmental Expenses for the Removal or Dismantling of Assets" includes the balancing item for the increased asset value relating to the discounted present value of the expenses that will be incurred when operation of the asset ceases.

"Measures to Upgrade Concessions or Expand Concession Capacity" includes the balancing item for the increase in the value of non-current assets relating to the discounted present value of the infrastructure work carried out by the concession operator during the concession term to upgrade the concessions and expand their capacity.

As described in note 4, the transfer to or from "Liabilities Associated with Non-Current Assets Classified as Held for Sale" in 2013 related to the decrease of EUR 19,695 thousand in relation to the Cemusa Group and of EUR 2,727 thousand in relation to FCC Logística, which were classified as discontinued operations.

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 timing of the expected outflows of economic benefits at 31 December 2014 arising from the obligations covered by long-term provisions is as follows:

	Within five years	After five years	Total
Long-term employee benefit obligations	24,699	61,921	86,620
Dismantling, removal and restoration of non-current assets	91,082	41,814	132,896
Environmental activities	37,100	185,386	222,486
Litigation	63,963	28,694	92,657
Contractual and legal guarantees and obligations	47,256	52,421	99,677
Other provisions	332,832	190,702	523,534
	596,932	560,938	1,157,870

Long-term employee benefit obligations

"Long-Term Provisions" in the accompanying consolidated balance sheet includes the provisions covering the Group companies' obligations in respect of pensions and similar obligations such as medical and life insurance, as indicated in note 26.

Environmental provisions

The FCC Group's environmental policy goes beyond strict compliance with current legislation in the area of environmental improvement and protection to include the establishment of preventative planning and the analysis and minimisation of the environmental impact of the activities carried on by the Group.

FCC Group Management considers that the Group companies' contingencies relating to environmental protection and improvement at 31 December 2014 would not have a significant impact on the accompanying consolidated financial statements, which include provisions to cover any probable environmental risks that might arise.

Note 30 to the consolidated financial statements, relating to information on the environment, provides additional information on 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. The lawsuits, although numerous, are not expected to have an impact on the Group's equity according to estimates regarding their final outcomes..

Contractual and legal guarantees and obligations

"Contractual and Legal Guarantees and Obligations" includes the provisions to cover the expenses arising from contractual and legal obligations of a non-environmental nature.

Provisions for construction contract settlements and contract losses

These provisions are recognised for losses budgeted for in construction projects in accordance with the measurement bases set forth in note 3-s, and for the expenses arising from such projects from the date of their completion to the date of their definitive settlement, which are determined systematically as a percentage of the value of production over the term of the contract based on experience in the construction business.

Provisions for other contingencies and charges

"Provisions for Other Contingencies and Charges" includes the items not classified in the aforementioned accounts, comprising most notably the provisions relating to Alpine, which are explained in further detail in the following paragraphs.

On 19 June 2013, Alpine Bau GmbH (the head of the group of operating companies of the Alpine Group) presented a petition for insolvency proceedings with court-ordered liquidation and a winding-up proposal to the Vienna Commercial Court This application resulted in the closing of the business and the liquidation of its corporate assets (SchlieÐung und Zerschlagung). On 28 June 2013, Alpine holding GmbH (the parent of Alpine Bau GmbH) directly filed for insolvency and liquidation.

As a result of these two court-ordered liquidation proceedings of the subsidiaries of FCC Construcción, S.A., the latter lost control over the Alpine Group, which was de-consolidated (see note 4).

As a result of these insolvency proceedings, at 31 December 2014 the FCC Group had recognised provisions in relation to the Alpine subgroup amounting to EUR 160,784 thousand in order to cover the contingencies and liability arising from the activities carried on by the aforementioned subgroup. The breakdown of these provisions is as follows:

Challenge to the sale of Alpine Energie	75,000
Encumbered collateral provided and accounts receivable for contracts of Alpine	67,097
Outstanding balances arising from the acquisition of certain shares of Alpine subgroup companies	18,687
Total	**160,784**

The provision for the challenge to the sale of Alpine Energie Holding AG amounting to EUR 75,000 covers the risk relating to the action brought by the insolvency manager of Alpine Bau GmbH 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.

FCC Construcción, S.A. provided corporate guarantees in order for certain subsidiaries of the Alpine subgroup to be awarded the contracts and, on the bankruptcy of the subgroup, FCC Construcción, S.A. may have to meet these obligations. In addition, in the ordinary course of its business activities, the FCC Group generated accounts receivable from the Alpine subgroup, which are highly unlikely to be recovered as a result of the bankruptcy proceedings. In order to cover both risks, the Group recognised provisions amounting to EUR 67,097 thousand on the liability side of its consolidated balance sheet.

The provision for the outstanding balances as a result of the acquisition of certain shares of the Alpine subgroup relates to the purchase by FCC Construcción, S.A. of 50% of the shares of MWG Wohnbaugesellschaft mbH, Alpine Consulting, d.o.o. and Vela Borovica Koncern d.o.o., for which the insolvency manager of Alpine Bau has claimed the payment of a total of EUR 18,687 thousand.

Since the bankruptcy of Alpine Holding GmbH and Alpine Bau GmbH, preliminary investigations have been conducted by the Spanish Anti-Corruption and Financial Crime Prosecutor's Office and civil proceedings have been brought which entail certain risks. However, the likelihood of these risks materialising and of concomitant cash outflows cannot yet be determined. These proceedings are as follows:

- **Preliminary investigations:**
  - In July 2013 the claim filed by a bondholder against five Directors of Alpine Holding GmbH (all of whom were Directors when the bonds were issued and they filed for insolvency) gave rise to the investigations by the aforementioned Spanish Anti-Corruption and Financial Crime Prosecutor's Office.
  - In April 2014 a former Director of Banco Hypo Alde Adria filed a claim against FCC Construcción, S.A., Alpine Holding GmbH, Alpine Bau GmbH, three of their Directors and one employee of Fomento de Construcciones y Contratas, S.A. The investigations initiated by the Spanish Public Prosecutor's Office have been added to those mentioned above.
- **Civil and commercial proceedings**
  - In 2014 two bondholders filed two civil claims against FCC Construcción, S.A. and a Director for EUR 12 thousand and EUR 506 thousand. Both proceedings have been suspended pending a preliminary judgment being handed down in the criminal jurisdiction.
  - As well as the action for retrospective annulment brought by the insolvency manager of Alpine Bau GmbH due to sale of Alpine Energie, and for which the aforementioned provision of EUR 75,000 thousand was recognised, there is another action for retrospective annulment for EUR 14.4 million, which includes the allegation that there was an unlawful conversion of debt into capital between Alpine Bau GmbH and FCC Construcción, S.A.
  - The proceedings initiated by the insolvency manager of Alpine Bau claiming the purchase price of the shares of MWG Wohnbaugesellschaft mbH (50%) and Alpine Consulting d.o.o. (100%) are in process, although the amounts claimed, along with that which is subject to negotiation over the purchase of 95% of Vela Borovica Koncern d.o.o. have been provisioned, as stated previously.
  - The insolvency manager of Alpine Holding filed a claim of EUR 186 million against FCC Construcción, S.A., which is still pending notification, as it considers that FCC Construcción, S.A. must indemnify Alpine Holding GmbH for the amounts which the latter raised through bond issues in 2011 and 2012 and which the latter allegedly loaned to Alpine Bau GmbH without the necessary guarantees.

The accompanying consolidated financial statements include the aforementioned provisions to cover the probable risks in connection with certain of these lawsuits. In relation to the remainder of the lawsuits, the Group and its legal advisers do not consider it likely that there will be any future cash outflows and, therefore, no provision has been recognised in this connection.

Note 4, "Non-Current Assets Classified as Held for Sale and Liabilities Associated with Non-Current Assets Classified as Held for Sale and Discontinued Operations" includes a detail and explanation of the related changes in relation to the Alpine Group.

21. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

The FCC Group's general policy is to provide all the Group companies with the financing that is best suited to the normal conduct of their business activities.

This financial liability Management model was modified with the entry into force of the Refinancing in June 2014 because the financing of the group of companies that formed part of the scope was arranged by the Parent Fomento de Construcciones y Contratas, S.A., and most of the bilateral financing of the companies within the scope was repaid.

Should the financial transaction so require, following a hedging policy for economic and accounting purposes, the Group arranges interest-rate hedging transactions on the basis of the type and structure of each transaction (see note 24).

In certain types of financing, particularly non-recourse structured financing, the financing agreement requires the 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 debt repayment schedule.

21.A) Non-current and current debt instruments and other marketable securities

The main characteristics of the non-current and current debt instruments and other marketable securities arranged by the Group in prior years and maintained in 2014 are as follows:

On 31 July 2012, Giant Cement Inc. issued debt instruments totalling USD 430,000 thousand for the purpose of refinancing its main debts, which were set to mature mainly in 2012 and 2013. These instruments will be settled in full in 2018, the annual coupons are 10.0% and there is an option in the first two years to capitalise the interest at 12.0%.

An agreement was also arranged for 20% of the EBITDA recognised by Giant Cement Holdings Inc. each year, provided it has a profit, to be paid at the end of the loan term. This transaction was recognised applying the effective interest method and, therefore, the debt arrangement expenses were recognised as a reduction of the amount of the debt. The amount recognised at 31 December 2014 was EUR 371,189 thousand (31 December 2013: EUR 323,619 thousand) of principal and EUR 11,862 thousand (31 December 2013: EUR 6,066 thousand) of accrued interest payable. The year-on-year increase was due mainly to exchange rate changes.

The purpose of the issue of subordinated convertible bonds amounting to EUR 450,000 thousand launched on 30 October 2009 by Fomento de Construcciones y Contratas, S.A., which was aimed at international institutional investors, was to strengthen the balance sheet equity structure due to the fact that the bonds were convertible and subordinated to the corporate loans arranged by the Parent at that time, and it also attempted to diversify the Group's financing base by supplementing the bank financing.

The restructuring of these convertible bonds was included in the framework of the Group's overall refinancing in 2014. This restructuring consisted of extending the original maturity of the convertible bonds -set for October 2014- by 6 years until October 2020, initially reducing the conversion price from EUR 37.85 to EUR 30 and then from 1 December onwards, due to the capital increase performed at FCC, S.A., reducing it further to EUR 22.19 while maintaining the interest rate of 6.5%.

The entitlement to convert the bonds may be exercised at the request of each of the holders, at any time until 30 October 2020 pursuant to the terms and conditions of the bonds. Also, the disappearance of the subordination attaching to the convertible bonds prior to the restructuring should be noted.

Furthermore, FCC, S.A. is entitled to convert all of the convertible bonds into ordinary shares of FCC, S.A. under certain circumstances, and repay all of the bonds early from October 2018 onwards.

The restructuring and modification of the conditions of the issue in the terms mentioned were approved by the General Assembly of Bondholders held on 5 May 2014 and the Company's Annual General Meeting on 23 June 2014.

In accordance with applicable accounting regulations, in addition to their financial component, the convertible bonds have another component that is recognised in equity as described in note 18-d. note 18-d also describes the terms of the convertible bond issue.

The balance recognised in this connection at 31 December 2014 under "Debt Instruments and Other Marketable Securities" in the accompanying consolidated balance sheet amounted to EUR 450,847 thousand, including EUR 4,872 thousand of accrued interest payable (31 December 2013: EUR 448,012 thousand). These bonds traded at 99.48% of par at 31 December 2014 according to Bloomberg.

Also, in 2005 Severomoravské Vodovody a Kanalizace Ostrava, A.S. (SmVaK) issued non-convertible bonds amounting to CSK 2,000,000 thousand (EUR 72,572 thousand at 31 December 2014). These bonds mature on 15 November 2015 and bear nominal interest of 5%.

21.B) Non-current and current bank borrowings

The detail at 31 December 2014 and 2013 is as follows:

	Non-Current	Current	Total
2014			
Credit facilities and loans	3,738,396	65,639	3,804,035
Borrowings without recourse to the Parent	181	939,888	940,069
Limited recourse project finance loans	857,299	154,990	1,012,289
FCC Environment Group:	668,777	13,584	682,361
Other	188,522	141,406	329,928
	4,595,876	1,160,517	5,756,393
2013			
Credit facilities and loans	44,832	4,205,559	4,250,391
Borrowings without recourse to the Parent	2,171	966,536	968,707
Limited recourse project finance loans	471,023	538,295	1,009,318
FCC Environment Group:	218,919	487,605	706,524
Other	252,104	50,690	302,794
	518,026	5,710,390	6,228,416

Of particular note in the foregoing table is the syndicated loan that arose from the refinancing process completed in 2014 with a principal amounting to EUR 3,678 million, having repaid the EUR 900 million after the application of a portion of the funds obtained through the capital increase performed by the Parent of the Group in December (see note 18), greater detail on which is provided in the section on "Credit Facilities and Loans" below.

There are three separate groups of borrowings in the foregoing table:

- **Credit facilities and loans** that include the financing forming part of the Refinancing agreement entered into by Fomento de Construcciones y Contratas, S.A. in March 2014, which came into force in June of that year.

In 2013 the FCC Group commenced the refinancing of most of its debt in order to achieve a sustainable financial structure adapted to the generation of cash projected for the Group in the prevailing market environment, which would enable it to focus on the other objectives of its Strategic Plan aimed at improving profitability, reducing indebtedness, strengthening the capital structure and generating cash.

The refinancing process was formalised through the refinancing agreements entered into on 24 March and 1 April 2014 by FCC, S.A., other Group companies and the lending banks. Subsequent to compliance with certain conditions, the refinancing process came into effect on 26 June 2014, the date on which the full amount of the Financing Agreement was received and interest began to accrue. The refinancing was subscribed by virtually all the banks involved (more than 40 entities), achieving coverage of 99.98% of the liabilities affected.

The refinancing was instrumented mainly through (i) the arrangement of a syndicated loan amounting to EUR 4,528 million; (ii) the entering into of a financial stability agreement for guarantee and working capital facilities; (iii) the restructuring of the convertible bonds issued in 2009 amounting to EUR 450 million (discussed above); and (iv) the arrangement of other additional financing agreements.

On 21 November 2014, the FCC Group entered into a binding agreement, the "**New Restructuring Framework Agreement**", with lending entities representing 86.5% of the Financing Agreement and other existing debt, under which the following was agreed:

i) the use of the proceeds net of expenses arising from the capital increase (see note 18); and

ii) the modification of certain terms and conditions of the financing agreement.

Specifically, the aforementioned agreement established that EUR 765 million of the proceeds from the capital increase be used to repay and amortise EUR 900 million of Tranche B of the Financing Agreement, with the lending entities of Tranche B thereby assuming a debt reduction of 15%. The lending entities' share of this reduction was proportional to their respective participation in Tranche B.

Since the aforementioned "New Restructuring Framework Agreement" had been approved by 86.5% of the lending entities, a court approval procedure was implemented to apply the terms and conditions to all of the lending entities. Once the court approval procedure had been endorsed, a legal period began for the submission of challenges which, at the date of authorisation for issue of these consolidated financial statements, had not ended.

The detail of the most salient aspects of the aforementioned refinancing and its subsequent renewal is as follows:

Financing Agreement and subsequent renewal

The refinancing is structured primarily on the basis of a long-term syndicated financing agreement divided into tranches that came into force on 26 June 2014 (the "Financing Agreement") which entailed the novation of a significant portion of the various syndicated financing agreements, credit or loan facilities or bilateral financing instruments of FCC, S.A. and certain of its Group companies (the "FCC Refinancing Scope"), with the exception of certain excluded companies and the excluded subgroups headed by Cementos Portland Valderrivas, S.A., FCC Environment Services, FCC PFI Holdings Ltd y Azincourt Investment, S.L.U. ("Azincourt"), .A.S.A. Abfall Services A.G. and Aqualia Czech S.L. (together the "Excluded Subgroups").

The main features of this syndicated financing agreement are as follows:

- **Amount:** the total amount is EUR 4,528 million, which replaces the debt existing in various syndicated and bilateral structures for the same amount. As a result of the renewal the principal amounted to EUR 3,678 million.

- **Tranches:** Tranche A amounting to EUR 3,178 million which is classified as a guaranteed senior commercial loan and Tranche B amounting to EUR 1,350 million that is of the same guaranteed nature as Tranche A and includes a right to convert the outstanding balance at maturity into newly issued shares at market price without a discount (including the PIK or capitalisable component of the accrued interest) through the conversion of loans into share capital or a subordinated loan in certain circumstances envisaged in the Financing Agreement. As a result of the renewal and the use of a portion of the funds from the capital increase to repay Tranche B, the principal amounted to EUR 490 million at 31 December 2014 (including the interest added to the principal up to that date).

- **Maturity:** the maturity of the Financing Agreement was set at 4 years from 26 June 2014 with the possibility of being extended up to a maximum period of 6 years (automatic extension by 1 year in the case of conversion of Tranche B into shares of FCC, S.A. and additional extension by 1 more year where this has been approved by an enhanced majority of 75% of entities financing Tranche B). After novation of the agreement, if Tranche B has not been converted, it will be extended automatically for an additional three-year period.

- **Repayment:** the repayment schedule includes EUR 150 million at 24 months and EUR 175 million at 36 months, and the remainder is payable on maturity. Tranche B is repayable on the original maturity date, notwithstanding its possible conversion into shares under the terms and conditions indicted below.

- **Interest rate of Tranche A:** the interest rate established for Tranche A is Euribor plus a floating spread increasing over the period of 3% in the first year, 3.5% in the second year and 4% in the third and fourth years.

- **Cases of early maturity.** The Financing Agreement provides for certain cases of early maturity, which include, inter alia (i) non-payment; (ii) non-achievement of covenants; (iii) material adverse effect; (iv) insolvency proceedings involving any party to the Agreement or relevant subsidiary; and (v) cross default if other debts are not paid.

- **Cases of mandatory total early repayment.** The Financing Agreement provides for certain cases of mandatory total early repayment which include, inter alia (i) a change of control at the FCC Group (which involves the acquisition of control by a third party other than an industrial company or a credit institution of acknowledged solvency, experience and Management capacity), unless it results from a monetary capital increase the funds of which are used for the purposes envisaged in the Financing Agreement, or from the acquisition of control as a result of a possible conversion into shares; or the loss of control of the current controlling shareholder that does not involve the acquisition of control by a third party; and (ii) the sale of all or a substantial portion of the assets or businesses of the Group.

- **Cases of mandatory partial early repayment.** Among other cases, the Financing Agreement provides for the obligation of the borrowers to repay, early and partially, the outstanding principal using (i) all of the net proceeds from monetary capital increases, unless (a) they are used to repurchase Tranche B debt (using the Dutch auction procedure); (b) and up to 25% of the proceeds from the capital increase may be used, at the discretion of FCC, as contributions of funds to certain companies in which non-controlling interests are held, Excluded Subgroups (except for Alpine) or certain companies excluded from the FCC Refinancing Scope; (ii) the effective amount paid in by any FCC Group company party to the refinancing or any company in the FCC Refinancing Scope as a result of the subscription of subordinated debt; (iii) proceeds from insurance indemnity payments and the sale of assets, subsidiaries and businesses, except under certain circumstances; and (iv) cash surpluses existing at 31 December of each year which exceed certain minimum amounts.

- **Financial ratios and other borrower obligations.** The Financing Agreement is subject to the achievement of certain half-yearly financial ratios relating to the FCC Refinancing Scope the non-achievement of which may trigger a case for early repayment. As a result of arranging the aforementioned renewal, the financial ratios will only have full effect from June 2015 onwards in order to provide for a complete twelve-month period from the entry into force of the financing agreement, thereby making the aggregates used uniform.

- **Flexibility in the terms and conditions in the case of deleverage.** If all the circumstances concur, which in accordance with the Financing Agreement constitutes a case of deleverage of the FCC Refinancing Scope, the Financing Agreement provides for the automatic modification of certain conditions and obligations upon the borrowers including (i) the easing of partial early payment assumptions; and (ii) modification of the dos and don'ts obligations incumbent upon borrowers (including the removal of the prohibition on distributions to shareholders), establishing minimum thresholds triggering the prohibition of constitution of liens and encumbrances or limitations on the disposal and sale of assets when conducted under conditions other than market conditions.

As a result of the aforementioned renewal, certain clauses were modified, thereby mitigating various restrictions imposed by the original agreement, the most significant being: (i) FCC can provide funding to Group companies other the borrowers and guarantors if they meet certain requirements; (ii) the maximum amount of additional financial indebtedness in which FCC and other Group companies may incur has been increased; and (iii) FCC is entitled to distribute dividends to shareholders if certain conditions are met.

- **Personal guarantees and security interests.** The Financing Agreement provides for personal guarantees whereby FCC and Group companies acting as guarantors are jointly and severally liable for the fulfilment of the obligations of the other borrowers. In further assurance of compliance with the obligations under the Financing Agreement, certain security interests have been given by the borrowers including (i) a pledge of shares and ownership interests in various companies of the FCC Group; (ii) a pledge of receivables on bank accounts; and (iii) a pledge of receivables on certain concession arrangements and other collection rights, as well as the granting of a promise of creating additional security interests in certain circumstances.

Main characteristics of Tranche B

- **Repurchase of Tranche B.** The Financing Agreement establishes that, in the event of a capital increase at FCC, the proceeds obtained from the increase may be earmarked for the acquisition of Tranche B debt through a Dutch auction process, which could allow for the repurchase of Trance B at a discount.

- **Interest rate of Tranche B.** As regards Tranche B, the interest rate agreed upon was 1-year Euribor plus an annual fixed spread (PIK component) of 11% in the first year, 13% in the second year, 15% in the third year and 16% in the fourth year, with the Euribor payable in cash and the PIK component capitalisable at the end of each interest period. In the case of a monetary capital increase in order to amortise or repay Tranche B, the PIK component would accrue and be capitalised at a reduced rate of 6% solely in relation to that portion of Tranche B that had been repaid and only with respect to the interest accrued in the year in which the monetary capital increase had been performed. As a result of the aforementioned novation of the agreement, the interest rate on the PIK component was reduced to 5% per year on the portion not yet repaid after the novation.

- **Conversion of Tranche B into shares.** As indicated previously, the Financing Agreement envisages that the full balance of Tranche B not yet paid (including the interest PIK component) can be converted into shares of FCC, primarily, and including other cases of early conversion, (i) in the event of failure to repay or refinance Tranche B on maturity (ordinary conversion); (ii) in a case of total or partial mandatory repayment, or a case of early maturity envisaged in the Financing Agreement (early conversion); or (iii) in a case of insolvency proceedings involving FCC, subject at all times to the condition that it is thus agreed upon by the lenders whose joint share in Tranche B represents 75% or more of the total outstanding balance payable.

  The conversion right is instrumented through a warrants issue approved by the shareholders at the Annual General Meeting of FFC, S.A. held on 23 June 2014. The warrants give their holders the right to convert -up to six months after the original maturity date- a number of new shares of FCC, S.A. in proportion to their share of the Tranche B debt (including principal and capitalised interest payable at the conversion date) at the market price of the shares upon exercise of the warrants, for which the highest would be considered of (i) the nominal value; and (ii) the value of the weighted average market price of the shares of the eight weeks prior to the date on which the conversion process is initiated (five months before the original maturity date) in the case of ordinary conversion, or the weighted average market price of the shares during the eight weeks after the date on which the conversion process is initiated, in the case of early conversion.

  The warrants were subscribed by the lending entities with a share in Tranche B and are transferable only in the amount of the corresponding share in Tranche B, which simultaneously requires the joint and indivisible transfer of Tranche A. The warrants will not be listed on any secondary market.

  In order to minimise the impact on the share price of FCC, S.A. that could result from the conversion, the lending entities assumed certain restrictions on the transfer of shares (lock up) and in relation to the orderly sale thereof.

  However, it should be underlined that the warrants will not be convertible into shares of FCC if prior to or on the conversion date the aforementioned Tranche B is repaid or if various assumptions are jointly met, including most notably: (i) that FCC has provided evidence of the reduction of the Net Financial Debt/EBITDA ratio of the FCC Refinancing Scope to under 4 times; (ii) that it has repaid at least EUR 1,500 million of the total financing granted through Tranche A and Tranche B; and (iii) that recurring EBITDA exceeds EUR 750 million. In these cases, the conversion of the warrants would be immediately deactivated, Tranche B would be converted into Tranche A and the spread applicable to the interest rate on the total of Tranche A would be set at 4.5%.

Financial Stability Framework Agreement

To complement the main refinancing agreement, a Financial Stability Framework Agreement was entered into governing, inter alia, the financial transactions necessary for day-to-day business activity: domestic and international guarantees amounting to EUR 1,704 million and leases, full-service leases, reverse factoring, factoring and German models amounting to EUR 459 million for a period of four years; and the commitment -vis-à-vis the lenders- to automatically defer (in terms and conditions of repayment and maturity similar to those set out for Tranche A in the Financing Agreement) the claim ability of certain contingent debt items from the time of accrual, as a result of initiating claims or executing security interests provided in relation to guarantees.

Syndicated international guarantee facility

Also, the grant of a new international guarantee facility was formalised amounting to EUR 250 million extendible to EUR 450 million, for a period of 4 years, extendable to 6 (in line with the possible extensions of the Financing Agreement).

Cementos Portland Valderrivas deferral agreement

The refinancing also includes the formal arrangement of an agreement entered into in March 2014 with the lending banks of Cementos Portland Valderrivas to defer FCC, S.A.'s obligation to contribute contingent capital of up to EUR 200 million to that subsidiary. The agreement has a term of four years (extendible to six years), would enter into force from when FCC, S.A.'s contribution obligation becomes enforceable and would bear, as deferred contingent debt, an interest rate identical to that applicable to Tranche A of the Financing Agreement at any given time.

Also, under the New Restructuring Framework Agreement, in December the lending entities agreed to contribute EUR 100 million to Azincourt Investment, S.L., in order to enable it to repay a portion of its debt; in February 2015, after the capital increase, EUR 100 million were contributed to Cementos Portland Valderrivas, S.A., which were used to reduce Cementos Portland Valderrivas, S.A.'s financial debt by the same amount. This contribution reduced FCC's obligations under the "CPV Deferral Agreement".

Other recourse borrowings, in addition to the foregoing, and within the recourse borrowings considered not to be part of the refinancing, the following is of particular note:

- On 24 March 2014, an agreement was entered into with the European Investment Bank (EIB) to extend the final maturity of the loan arranged with this entity in 2009 amounting to EUR 175 million, novated in October 2012.

  This extension of the maturity signifies the deferral of payment of the final instalment of the loan amounting to EUR 35 million from November 2014 to May 2015.

- Once the sale of FCC Environmental LLC on 16 October 2014 had been completed, the balance payable of the syndicated financing of the Dédalo Group amounted to USD 5.5 million, which, as provided for in the Financial Stability Framework Agreement, was automatically deferred (in terms and conditions of repayment and maturity similar to those set out for Tranche A in the Financing Agreement).

- **Borrowings without recourse to the Parent,** includes the financing relating to the Cementos Portland Group and the Alpine Group, since there is a limited guarantee on the part of the Parent of the FCC Group, Fomento de Construcciones y Contratas, S.A.

On 31 July 2012, the Cementos Portland Valderrivas subgroup arranged the refinancing of its most significant borrowings, which were set to mature mainly in 2012 and 2013. The combined amount of the financing was EUR 1,114.1 million, structured in six separate tranches. This financing matures at four years. The spread to be applied to this financing was 4% in the first two years and 4.5% in subsequent years. Under the agreement, these borrowings are without recourse to the shareholder, FCC.

Notwithstanding the "without recourse to FCC" nature of the borrowings of the Cementos Portland Valderrivas subgroup, FCC, S.A. executed -as part of the syndicated refinancing agreement of Cementos Portland Valderrivas- an agreement known as "CPV Support Agreement", whereby it was agreed to contribute up to a maximum of EUR 200 million if certain events occurred in relation to the minimum EBITDA obligations of Cementos Portland Valderrivas.

Since Cementos Portland Valderrivas, S.A. failed to achieve the EBITDA levels required under the "CPV Support Agreement", since 10 October 2014 FCC, S.A. has been liable for paying up to EUR 200 million under this agreement, although this payment has been deferred and is governed by the same terms and conditions as the Financing Agreement (4.74% in June 2016; 5.53% in June 2017; and 89.72% in June 2018). As mentioned above, in February 2015 EUR 100 million were contributed to Cementos Portland Valderrivas corresponding to portion of the proceeds from the capital increase performed by Fomento de Construcciones y Contratas, S.A., which were deducted from the obligation to pay EUR 200 million in accordance with the aforementioned "CPV Support Agreement".

On 30 September 2014, Cementos Portland Valderrivas complied with the obligation to repay EUR 50 million arising from the syndicated refinancing agreement entered into on 31 July 2012, in relation to which it obtained a unanimous deferral from the financial institutions from that date to 30 June 2014. A portion of the amount to be repaid (EUR 20 million, not related to the "CPV Support Agreement") came from the Parent -FCC, S.A.- through a subordinated loan, and the remaining EUR 30 million came from the company's own cash. Additionally, in February EUR 75 million was repaid early, which should have been repaid on 30 June 2015, with an additional EUR 25 million corresponding to the July 2016 instalment.

As a result of the failure to achieve the financial ratios, the Cementos Portland Valderrivas subgroup classified all its borrowings amounting to EUR 915,037 thousand (net of arrangement fees) as current.

At the date of these consolidated financial statements, Cementos Portland Valderrivas was in negotiations with banks to renegotiate the terms of its debt, having reached agreements with a significant number of the lending entities and thereby ensuring that in 2015 no early repayment of debt due to a failure to achieve ratios will occur.

- **Limited-recourse project finance loans** comprising all the financing guaranteed solely by the project itself and by its cash generation capacity, which will support all the debt service payments and which will not be guaranteed by the Parent Fomento de Construcciones y Contratas, S.A. or any other FCC Group company under any circumstances.

  - On 21 March 2013, Aqualia Czech, S.L. (at that time a wholly-owned subsidiary of the head of the Integral Water Management Area, FCC Aqualia, S.A. and, in turn, holder of 98.7% of the shares of SmVak), arranged a syndicated loan of CSK 3,300 million (approximately EUR 119 million at the exchange rate prevailing at 31 December 2014) from ING, Komercni banka and Sberbank. This loan was used to:

    i) repay a syndicated loan from Aqualia Gestión Integral del Agua, S.A. (two tranches, one of EUR 52 million and the other of CZK 467 million), which was used at the time as the contribution of FCC Aqualia, S.A. to the capital of Aqualia Czech and was set to mature on 31 December 2012 (previously extended to 31 March 2013); and

    ii) refinance the syndicated loan of Aqualia Czech, S.L., amounting to CSK 1,400 million maturing in May 2015.

    The loan of Aqualia Czech maturing on 15 September 2015, continues to provide limited recourse to FCC Aqualia, S.A. and has the following repayment schedule: CSK 130 million in 2013, which was paid, CSK 150 million in 2014 which was paid and CSK 90 million, plus the remaining balance to be paid in 2015.

  - On 22 January 2014, Azincourt Investment, S.L. (a wholly-owned investee of FCC, S.A. that owns all the shares of FCC Environment UK, formerly WRG) refinanced a syndicated loan without recourse to FCC, S.A., which was arranged in 2006 upon the acquisition of WRG ,and which matured on 31 December 2013. The refinancing was structured as a new syndicated loan of GBP 381 million, without recourse to FCC, S.A., from the same banks, maturing on 31 December 2017, with the possibility of extending the maturity date by one year if certain conditions are met. The new loan is structured as a "bullet", with a single payment due on maturity, although early repayment mechanisms are envisaged if sufficient cash is available (cash sweep).

The new loan is structured to two tranches:

- Tranche A amounting to GBP 100 million subsequently, which is divided in turn into two sub-tranches of GBP 30 million (Tranche A1) and GBP 70 million (Tranche A2). Tranche A1, of GBP 30 million, is formed by the lenders that participated in the new working capital facility, each for an amount equal to their actual share in that facility. Tranche A2 amounts to GBP 70 million and all the lenders participate in proportion to their share of the total debt.

  The borrowing cost of this tranche is: LIBOR + 225 bps in 2014, LIBOR + 275 bps in 2015, LIBOR + 325 bps in 2016 and LIBOR + 400 bps in the remaining years.

- Tranche B, for GBP 281 million, with borrowing costs of LIBOR + 105 bps until 2016 (inclusive), LIBOR + 180 bps in 2017 and LIBOR + 255 bps in 2018, if appropriate.

The original maturity of this transaction is 31 December 2017, with the possibility to extend of one year (up to 31 December 2018) in the event of a capital increase at FCC, S.A. The banks involved in the transaction were informed of the execution of the one-year extension upon maturity.

The financing agreement entered into with the banks includes the contribution of GBP 80 million by FCC, S.A. to Azincourt Investment, S.L. as a capital increase through a monetary contribution.

Also, FCC Environment UK arranged a new GBP 30 million working capital facility with most of the banks in the syndicate of Azincourt Investment, S.L.'s debt, and a factoring facility to discount customer bills for the same amount as the working capital facility.

The obligations acquired by FCC vis-à-vis the lending banks of Azincourt Investment, S.L. include the obligation to use 10% of the proceeds from any capital increase performed by FCC to repay the debt of Azincourt Investment, S.L. to the financing banks. The maximum amount corresponding to the 10% obligation is EUR 100 million.

At 31 December 2014, the equivalent in pounds sterling of the EUR 100 million from the capital increase (GBP 78,494 thousand), were used to repay 30% and 70% of Tranches A1 and A2, respectively. In addition, GBP 78,494 thousand of Tranche B were transferred to a new tranche called Tranche A3 (reallocation) that bears the same borrowing costs as the existing Tranche A.

This structure was designed to encourage lenders to participate in the new working capital facility, which has been found to have worked as more than half of the banks participated in this new facility.

The aforementioned financing of Azincourt Investment, S.L. is subject to the achievement of certain financial ratios which it was considered were being achieved at 31 December 2014.

This new financing will enable FCC Environment UK to focus on the achievement of, and compliance with, its business plan, focused on the transition of its landfill business towards the business based on waste recycling and recovery and waste-to-vale.

The remaining limited recourse project finance debt up to the total EUR 668,777 thousand corresponds to the debt of the companies composing the FCC Environment Group (UK).

The detail of the bank borrowings, by currency and amounts drawn down at 31 December 2014 and 2013, is as follows::

	Euro	US dollar	Pound sterling	Czech koruna	Other	Total
2014						
Credit facilities and loans	3,790,070	12,184	—	—	1,781	3,804,035
Borrowings without recourse to the Parent	935,801	—	—	—	4,268	940,069
Limited recourse project finance loans	190,323	—	682,360	110,020	29,586	1,012,289
	4,916,194	12,184	682,360	110,020	35,635	5,756,393
2013						
Credit facilities and loans	4,047,612	86,638	104,660	—	11,481	4,250,391
Borrowings without recourse to the Parent	967,304	—	—	—	1,403	968,707
Limited recourse project finance loans	150,340	—	706,524	113,809	38,645	1,009,318
	5,165,256	86,638	811,184	113,809	51,529	6,228,416

The credit facilities and loans denominated in US dollars are being used mainly to finance companies in Central America in the Construction Area; those arranged in pounds sterling are funding assets of the FCC Environment Group in the UK; and those arranged in Czech koruna are being used to finance the operations of SmVaK (Severomoravské Vodovody a Kanalizace Ostrava, A.S.) in the Czech Republic.

21.C) Other non-current financial liabilities

	2014	2013
Non-current		
Obligations under finance leases	37,864	35,504
Financial borrowings - non-Group third parties	144,648	107,074
Liabilities relating to financial derivatives	39,199	34,150
Guarantees and deposits received	29,383	28,057
Other	6,248	11,734
	257,342	216,519

"Liabilities Relating to Financial Derivatives" includes mainly financial derivatives designated as hedging instruments, basically interest rate swaps (see note 24).

21.D) Other current financial liabilities

	2014	2013
Current		
Obligations under finance leases	15,763	12,750
Interim dividend payable	572	3,223
Financial borrowings - non-Group third parties	47,457	55,721
Payable to non-current asset suppliers and notes payable	49,510	96,064
Payable to associates and joint ventures	10,604	10,807
Liabilities relating to financial derivatives	16,061	53,508
Guarantees and deposits received	2,889	2,311
Other	28	1,197
	142,884	235,581

As regards "Liabilities Relating to Financial Derivatives", the detail of which is provided in note 24, "Derivative Financial Instruments", it should be noted that in 2014 it no longer includes the amount relating to the market value of the put option associated with the share option plan for Executives and Executive

Directors due to the cancellation thereof in January 2014 (EUR 38,969 thousand were recognised under this heading in this connection in 2013).

The entire amount in 2014 relates to the measurement of hedging derivatives, mainly interest rate swaps.

21.E) Repayment schedule

The repayment schedule for the bank borrowings, debt instruments and other marketable securities and other non-current financial liabilities is as follows:

	2016	2017	2018	2019	2020 and subsequent years	Total
Debt instruments and other marketable securities	—	—	383,051	—	445,975	829,026
Non-current bank borrowings	316,546	214,433	3,771,703	36,998	256,196	4,595,876
Other financial liabilities	55,937	19,316	13,742	14,711	153,636	257,342
	372,483	233,749	4,168,496	51,709	855,807	5,682,244

22. OTHER NON-CURRENT LIABILITIES

The detail at 31 December 2014 and 2013 is as follows:

	2014	2013
Public Administrations - Long-term deferrals	162,319	188,655
Other non-current liabilities	29,882	25,756
	192,201	214,411

The Large Taxpayers Central Office of the State Tax Agency and the Social Security General Treasury authorised deferral of the payment of certain taxes and Social Security contributions due to the delay in collection from public-sector customers. This deferred amount is payable monthly up to a maximum of four years at an interest rate of 4-5%.

23. TRADE AND OTHER PAYABLES

The detail of "Trade and Other Payables" in the consolidated balance sheets as at 31 December 2014 and 2013 is as follows:

	2014	2013
Payable to suppliers	1,405,588	1,500,262
Current tax liabilities	14,978	25,166
Public Authorities - Deferrals	169,345	143,551
Other accounts payable to Public Authorities	384,816	424,169
Customer advances (note 16)	755,516	771,470
Remuneration payable	85,023	91,195
Other payables	431,733	492,573
	3,246,999	3,448,386

In relation to the Resolution issued by the Spanish Accounting and Audit Institute (ICAC) on 29 December 2010 implementing Additional Provision Three of Law 15/2010, of 5 July, on combating late payment in commercial transactions, it should be noted with respect to 2014 that in Spain the Group operates mainly with public-sector customers such as the State, Autonomous Communities, Local Corporations and other public bodies which take considerably longer to settle their payment obligations than the periods established in Public Sector Contract Legislation and in Law 3/2004, of 29 December, on combating late payment in commercial transactions, the effects of which can be seen under "Changes in Working Capital" in the accompanying consolidated statement of cash flows.

It is also important to note that in 2014 the provisions of Article 228.5 of the current Consolidated Text of the Public Sector Contract Law ("TRLCSP") were applied to work and supplies arising from agreements entered into by the Group with the various Public Authorities.

Due to this situation, in order to adapt the Group's financial policy to reasonable levels of efficiency, the usual payment periods to the suppliers in the sectors in which the Group operates were maintained throughout 2014, which has offset in part the negative change in working capital mentioned above.

The Group's supplier payment policy described in the two preceding paragraphs is thus supported by a) Payments to suppliers of agreements entered into by the Group with the Public Authorities: in Article 228.5 of the TRLCSP (all the requirements of which were met) and b) Payments to other suppliers: in Transitional Provision Two of Law 15/2010 and, where applicable, the provisions of Article 9 of Law 3/2004, which does not consider "payment deferral due to objective reasons" to be abusive, taking into consideration in both case a) and case b) the usual payment period in the business sectors in which the Group operates.

Furthermore, the Group acknowledges and pays suppliers, always by mutual agreement, the late-payment interest agreed in the agreements and provides them with negotiable payment methods associated with actions for collection of a bill of exchange, and the discount costs, if any, are borne by the Group. Such agreements, which are expressly provided for in the TRLCSP, as described above, are also allowed by Directive 2011/7/EU of 16 February, of the European Parliament and of the Council.

In compliance with the aforementioned ICAC resolution, the following table shows the payments made and the outstanding payments to suppliers of the companies exclusively resident in Spain.

PAYMENTS MADE AND OUTSTANDING PAYMENTS AT THE BALANCE-SHEET DATE

	2014	%	2013	%
Within the maximum payment period	706,989	51	872,286	54
Other	687,934	49	737,849	46
Total payments made in the year	**1,394,923**	**100**	**1,610,135**	**100**
Weighted average period of late payment (days)	108		103	
Deferred payments that at year-end exceed the maximum payment period	198,721		188,577	

In relation to the above, Final Provision Two of Law 31/2014, of 3 December, reforming the Spanish Limited Liability Companies Law, amending Additional Provision Three of Law 15/2010, establishes the obligation to disclose the average payment period to suppliers. At the date of preparation of these consolidated financial statements, the ICAC had not issued the Resolution required under section 4 of the aforementioned Additional Provision Three, in relation to the methodology used for calculating the average payment period and, accordingly, this information was not disclosed in the consolidated financial statements for 2014.

24. DERIVATIVE FINANCIAL INSTRUMENTS

In general, the financial derivatives arranged by the FCC Group are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in note 3-p to these consolidated financial statements, i.e. they are transactions that hedge actual positions.

The main financial risk hedged by the FCC Group using derivative instruments relates to fluctuations in the floating interest rates to which the Group companies' financing is tied.

At 31 December 2014, the FCC Group had arranged, through its fully consolidated companies, hedging transactions with derivative instruments totalling EUR 585,939 thousand (31 December 2013: EUR 1,122,202 thousand) mainly in the form of IRSs in which the Group companies pay fixed rates and receive floating rates.

The detail of the hedges and their fair value for the fully consolidated companies is as follows:

	Type of derivative	Type of hedge	% hedged	Notional amount at 31-12-13	Notional amount at 31-12-14	Value at 31-12-13	Value at 31-12-14	Expiry
Fully consolidated companies								
Fomento de Construcciones y Contratas, S.A.	IRS	FE	—	612,502	—	(4,219)	—	8-5-2014
	IRS	FE	38%	9,364	8,881	(824)	(1,345)	2-4-2024
	IRS	FE	19%	4,682	4,441	(412)	(673)	2-4-2024
	IRS	FE	12%	3,000	2,845	(267)	(431)	2-4-2024
	IRS	FE	11%	2,643	2,507	(240)	(382)	2-4-2024
Azincourt Investment, S.L.	Option	FE	67%	—	324,056	—	1,266	29-12-2017
RE3 Ltd.	IRS	FE	82%	32,317	32,658	(5,160)	(6,913)	30-9-2029
Kent	IRS	FE	34%	45,258	44,312	(7,512)	(8,338)	31-3-2027
	IRS	FE	14%	19,396	18,991	(3,219)	(3,594)	31-3-2027
	IRS	FE	25%	32,327	32,531	(5,365)	(5,963)	31-3-2027
FCC Environment Ltd. Lincolnshire	Currency forward	FE	—	4,437	—	(171)	—	21-3-2014
FCC Wrexham PFI Ltd.	IRS	FE	96%	26,701	27,858	(5,642)	(7,121)	30-9-2032
FCC Wrexham PFI (Phase II) Ltd.	IRS	FE	—	8,397	—	445	—	30-9-2032
	IRS	FE	—	8,397	—	445	—	30-9-2032
FCC Recycling (UK) Ltd.	Currency forward	FE	—	4,841	—	(104)	—	1-7-2014
FCC Buckinghamshire PFI Ltd.	IRS	FE	—	13,003	—	(102)	—	29-4-2016
	IRS	FE	—	13,003	—	(102)	—	29-4-2016
	IRS	FE	—	13,003	—	(102)	—	29-4-2016
	IRS	FE	—	13,003	—	(102)	—	29-4-2016
	IRS	FE	—	13,003	—	(102)	—	29-4-2016
FCC Buckinghamshire PFI Ltd.	Currency forward	FE	100%	46,896	31,561	(1,374)	(2,672)	28-8-2015
	Currency forward	FE	100%	46,896	31,561	(1,374)	(2,672)	28-8-2015

	Type of derivative	Type of hedge	% hedged	Notional amount at 31-12-13	Notional amount at 31-12-14	Value at 31-12-13	Value at 31-12-14	Expiry
Fully consolidated companies								
Depurplan 11, S.A.	IRS	FE	65%	6,733	6,187	(1,128)	(1,344)	1-12-2025
Ecodeal-Gestao Integral de Residuos Industriais, S.A.	IRS	FE	80%	6,713	5,233	(544)	(368)	15-12-2017
Aqualia Czech, S.L.	Forward IRS	FE	—	36,995	—	(406)	—	15-9-2015
	Forward IRS	FE	—	36,995	—	(406)	—	15-9-2015
	Forward IRS	FE	—	12,332	—	(135)	—	15-9-2015
Sociedad Concesionaria del Túnel de Coatzacoalcos, S.A. de C.V.	IRS	FE	—	36,350	—	(1,317)	—	10-6-2014
Integraciones Ambientales de Cantabria, S.A.	IRS	FE	75%	13,017	12,317	(1,199)	(1,583)	31-12-2022
Total fully consolidated companies				**1,122,204**	**585,939**	**(40,638)**	**(42,133)**	

The detail, by expiry date, of the notional amount of the hedging transactions arranged at 31 December 2014 is as follows:

	2015	2016	2017	2018	2019 and subsequent years
Fully consolidated companies	67,112	28,134	338,460	11,437	140,796

At 31 December 2014, the total of the hedges of the companies accounted for using the equity method amounted to EUR 836,043 thousand (31 December 2013: EUR 624,367) and their fair value amounted to EUR (238,113) thousand (31 December 2013: EUR (120,226) thousand).

The total of the hedges of discontinued operations amounted to EUR 579,975 thousand (31 December 2013: EUR 1,423,445) and their fair value at 31 December 2014 amounted to EUR (128,083) thousand (31 December 2013: EUR (157,745) thousand).

The detail of the financial derivatives arranged by the Company for hedging purposes, but which do not qualify for hedge accounting, is as follows:

	Type of derivative	Type of hedge	% hedged	Notional amount at 31-12-13	Notional amount at 31-12-14	Value at 31-12-13	Value at 31-12-14	Expiry
Fully consolidated companies								
.A.S.A. Abfall Service Zistersdorf GmbH	COLLAR	ESP		56,000	49,333	(7,587)	(8,421)	28-3-2024
FCC Wirexham PFI (Phase II) Ltd.	IRS	FE		—	11,338	—	(572)	30-9-2032
	IRS	FE		—	11,338	—	(625)	30-9-2032
FCC Buckinghamshire PFI Ltd	IRS	FE		—	29,796	—	(302)	29-4-2016
	IRS	FE		—	29,796	—	(303)	29-4-2016
	IRS	FE		—	29,796	—	(302)	29-4-2016
	IRS	FE		—	29,796	—	(303)	29-4-2016
	IRS	FE		—	29,796	—	(303)	29-4-2016
Aqualia Czech, S.L.	Forward IRS	FE		—	35,035	—	(193)	15-9-2015
	Forward IRS	FE		—	35,035	—	(193)	15-9-2015
	Forward IRS	FE		—	11,678	—	(64)	15-9-2015
Cementos Portland Valderrivas	IRS	FE		45,000	—	(123)	—	22-2-2014
	IRS	FE		15,000	—	(29)	—	24-2-2014
	IRS	FE		1,969	—	(68)	—	15-4-2016
Total fully consolidated companies				**117,969**	**302,737**	**(7,807)**	**(11,581)**	

Following is a detail, by expiry, of the notional amount of the derivatives that do not qualify for hedge accounting:

	Notional expiry				
	2015	2016	2017	2018 and subsequent years	2019 and subsequent years
Fully consolidated companies	12,384	230,294	6,268	6,329	47,462

The following table relates to the market value of the derivative instruments associated with the share option plan for Executives and Executive Directors indicated in note 19:

				Market value 2013		Market value 2014	
Type of derivative	Classification	Amount arranged	Expiry	Asset	Liability	Asset	Liability
First tranche							
CALL	Hedge	1,800	15-1-2014	—	—	—	—
PUT	Non-hedging instruments	1,800	15-1-2014	—	25,558	—	—
Swap	Non-hedging instruments	53,838	15-1-2014	—	234	—	—
				—	25,792	—	—
Second tranche							
CALL	Hedge	1,500	10-2-2014	—	—	—	—
PUT	Non-hedging instruments	1,500	10-2-2014	—	13,410	—	—
Swap	Non-hedging instruments	37,065	10-2-2014	—	13	—	—
				—	13,423	—	—

Both the first and second tranches were settled in 2014. The first tranche was settled on the date of its expiry and the second tranche was settled early on 17 January.

25. 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.

Under authorisation 18/89, the Parent of the FCC Group files consolidated income tax returns with all the other Group companies that meet the requirements established by tax legislation.

Fomento de Construcciones y Contratas, S.A., the subsidiaries composing the FCC Group and the joint ventures have all the years not yet statute-barred open for review by the tax authorities for the taxes applicable to them. The criteria that the tax authorities might adopt in relation to the years open for review could give rise to contingent tax liabilities which cannot be objectively quantified. However, the FCC Group's Senior Executives consider that the resulting liabilities relating to the years open for review will not significantly affect the Group's equity.

With respect to the years audited, it should be noted that the Group has not been issued tax assessments for significant amounts in the last four years and has filed the corresponding appeals, unless it has signed assessments on an uncontested basis. In 2012 the Supreme Court handed down a judgment rejecting the appeal filed previously by the Group in relation to the income tax assessments for the years from 1991 to 1994. The sentence was enforced in 2013 and did not affect the Group's equity since provisions had been recognised for these tax assessments.

25.A) Deferred tax assets and liabilities

The deferred tax assets arise mainly as a result of provisions and impairment and other losses recognised on assets classified as held for sale, the deconsolidation of Alpine (see note 4), non-deductible borrowing costs that will become deductible from the income tax base in future years and differences between depreciation and amortisation for accounting and tax purposes. In general, each year the Group companies take the tax credits provided for under tax legislation and, therefore, the deferred tax assets do not include any material tax credit carry forwards.

Group Management evaluated the recoverability of the deferred tax assets by estimating the future tax bases corresponding to tax group 18/89 and concluded that there were no doubts as to their recovery through the generation of future taxable profits.

The tax losses of the subsidiaries were generally offset by deducting from the income tax the investment valuation allowances recognised by the Group companies owning the holding, or by deducting these losses from the consolidated tax base in the case of subsidiaries that file consolidated tax returns. However, certain companies recognised deferred tax assets relating to tax losses amounting to EUR 145,157 thousand (31 December 2013: EUR 131,199 thousand), since they considered that there are no doubts as to their recoverability.

Deferred tax liabilities arose mainly as a result of:

- The differences between the tax base and the carrying amount resulting from the recognition of assets at fair value in connection with the corporate acquisitions in the FCC Group's various business segments, as indicated in notes 3-b and 5. 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 depreciation for tax purposes of leased assets and of certain items of property, plant and equipment qualifying for accelerated depreciation for tax purposes, and the accelerated depreciation of the investments made, enabling them to be depreciated 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 deductibility for tax purposes of the goodwill arising on the acquisition of non-resident companies prior to 2008.

In 2013 a decrease of EUR 6,072 thousand (31 December 2013: decrease of EUR 19,759 thousand) arising from the tax effect of translation differences and the adjustment of the fair value of financial instruments was recognised in equity under "Valuation Adjustments" and "Non-Controlling Interests" with a balancing entry in the related deferred tax accounts.

Following is a detail of the expected reversal dates of the deferred tax assets and liabilities:

	2015	2016	2017	2018	2019 and subsequent years	Total
Assets	221,667	65,712	46,733	25,410	684,689	**1,044,211**
Liabilities	48,626	8,364	7,132	6,696	491,548	**562,366**

25.B) Public Authorities

The detail at 31 December 2014 and 2013 of "Current Tax Assets" and "Current Tax Liabilities" is as follows:

Current assets

	2014	2013
VAT refundable (note 16)	94,871	134,692
Current tax (note 16)	14,308	34,163
Other taxes, etc. (note 16)	79,716	38,977
	188,895	207,832

Current liabilities

	2014	2013
VAT payable (note 23)	108,929	128,523
Current tax (note 23)	14,978	25,166
Accrued Social Security and other taxes payable (note 23)	275,886	295,646
	399,793	449,335

25.C) Income tax expense

The income tax benefit accrued in 2014 amounted to EUR 64,171 thousand (2013: EUR 135,376 thousand), as shown in the accompanying consolidated statement of profit or loss. The reconciliation of the tax expense to the accrued tax charge is as follows:

	2014			2013		
Consolidated accounting profit (loss) for the year before tax from continuing operations			(818,812)			(789,678)
	Increase	Decrease		Increase	Decrease	
Consolidation adjustments and eliminations	87,687		87,687	310,594		310,594
Permanent differences	124,164	(52,899)	71,265	140,252	(77,653)	62,599
Adjusted consolidated accounting profit (loss) from continuing operations			(659,860)			(416,485)
Temporary differences						
-Arising in the year	538,813	(92,802)	446,011	901,272	(226,175)	675,097
-Arising in prior years	850,484	(259,931)	590,553	279,268	(183,224)	96,044
Income and expenses recognised directly in equity			(35,000)			
Consolidated taxable profit (tax loss) from continuing operations			341,704			354,656

With respect to the table above, in light of the significance of the amounts, it is important to note that the income tax base is the best estimate available at the date of preparation of these consolidated financial statements. The definitive amount payable will be calculated on settlement of the tax in 2015 and, accordingly, the final settlement may vary on the basis of any adjustments made for temporary differences until that time, as explained in note 3-q to these consolidated financial statements. Noteworthy in 2014 among the increases in temporary differences arising in prior years was the impact of the impairment losses recognised on the property, plant and equipment of the FCC Environment (UK) Group (see notes 7, 8 and 28). In 2013 there were noteworthy increases in "Consolidation Adjustments and Eliminations", due primarily to the impairment losses recognised on the goodwill of the FCC Environment (UK) Group (formerly the WRG Group) (see notes 7-b and 28-d).

	2014	2013
Adjusted consolidated accounting profit (loss) from continuing operations	(659,860)	(416,485)
Income tax charge	142,469	133,088
Tax credits and tax relief	7,985	15,221
Adjustments due to change in tax rate	(60,302)	12,559
Other adjustments	(25,981)	(25,492)
Income tax	64,171	135,376

"Adjustments Due to Change in Tax Rate" includes most notably, as a result of the reduction in the Spanish tax rate which will decrease progressively from 30% to 25% in 2016, the regularisation of the amounts of deferred tax assets and liabilities, which gave rise to an income tax expense of EUR 82,125 thousand. The reduction of the tax rate in the UK gave rise to income of EUR 18,223 thousand.

26. PENSION PLANS AND SIMILAR OBLIGATIONS

In general, the Spanish Group companies have not established any pension plans to supplement the social security pension benefits. However, pursuant to the Consolidated Text of the Pension Fund and Plan Law, in the specific cases in which similar obligations exist, the companies externalise their pension commitments and other similar obligations to employees.

In addition, following authorisation by the Executive Committee, in the past the Parent arranged an insurance policy and paid the premium to cover the payment of benefits relating to death, permanent labour disability, retirement bonuses and pensions and other situations for, among other employees, certain Executive Directors and Executives. In particular, the contingencies giving rise to benefits are those which entail the extinguishment of the employment relationship for any of the following reasons:

a) Unilateral decision of the Company.
b) Dissolution or disappearance of the Parent for whatever cause, including merger or spin-off.
c) Death or permanent disability.
d) Other causes of physical or legal incapacity.
e) Substantial change in professional terms and conditions.
f) Resignation of the Executive on reaching 60 years of age, at the request of the Executive and with the consent of the Company.
g) Resignation of the Executive on reaching 65 years of age, by unilateral decision of the executive.

The accompanying consolidated statement of profit or loss for 2014 includes an expense of EUR 1,711 thousand in relation to the premiums for this insurance (2013: EUR 800 thousand) and income of EUR 609 thousand (2013: EUR 3,259 thousand) arising from rebates on premiums paid previously At 31 December 2014, the fair value of the contributed premiums covered all of the actuarial obligations assumed.

The liability side of the accompanying consolidated balance sheet for 2014 includes the present value, totalling EUR 2,786 thousand (2013: EUR 2,852 thousand), of the amounts payable in relation to the Spanish Group companies' post-employment benefit obligations to former Executives. Also, remuneration amounting to EUR 221 thousand in both 2014 and 2013 was paid with a charge to this provision.

Certain of the Group's foreign subsidiaries have undertaken to supplement the retirement benefits and other similar obligations accruing to their employees. The accrued obligations and, where appropriate, the related plan assets were measured by independent actuarial experts using generally accepted actuarial methods and techniques and the related amounts are recognised under "Long-Term Provisions – Long-Term Employee Benefit Obligations" in the accompanying consolidated balance sheet, in accordance with IFRSs (see note 20).

The main benefits referred to in the preceding paragraph are as follows:

- The accompanying consolidated balance sheet as at 31 December 2014 includes the employee benefit obligations of the companies of the FCC Environment (UK) Group, resident in the UK. These obligations are represented by certain assets assigned to the plans funding the benefits, the fair value of which amounted to EUR 49,855 thousand (31 December 2013: EUR 44,180 thousand), and the actuarial value of the accrued obligations amounted to EUR 55,221 thousand (31 December 2013: EUR 46,722 thousand). The net difference, representing a liability of EUR 5,366 thousand (31 December 2013: EUR 2,542 thousand), was recognised under "Long-Term Provisions" in the accompanying consolidated balance sheet. "Staff Costs" in the accompanying consolidated statement of profit or loss includes a cost of EUR 598 thousand (31 December 2013: EUR 695 thousand) relating to the net difference between the service cost and the return on the plan assets. The average actuarial rate applied was 3.9% (2013: 4.6%).

- Giant Cement Holding, Inc., a US resident company, has undertaken to supplement the retirement benefits of its employees. The valuation of the plan assets and the accrued obligations was performed by independent actuaries. The projected unit credit method was used for this purpose, with an average actuarial discount rate of 4.1% (4.5% in 2013). At 31 December 2014, the fair value of the plan assets amounted to EUR 46,650 thousand (2013: EUR 40,977 thousand), and the actuarial value of the obligations for benefits earned amounted to EUR 114,378 thousand (2013: EUR 84,486 thousand).

  Also, Giant Cement Holding, Inc. has undertaken to continue to pay for the healthcare and life insurance of certain employees after termination of their employment, amounting to EUR 43,581 thousand (2013: EUR 29,645 thousand).

  The accrued obligations payable are included in the accompanying consolidated balance sheet under "Long-Term Provisions".

The detail of the changes in 2014 in the obligations and assets associated with the pension plans and similar obligations is as follows:

2014

Actual evolution of the present value of the obligation

	FCC Environment (UK) Group	Giant
Balance of obligations at beginning of year	**46,722**	**84,486**
Current service cost	387	518
Interest cost	2,275	3,997
Contributions by participants	23	82
Actuarial gains/losses	4,035	19,631
Changes due to exchange rate	3,288	11,387
Benefits paid in 2014	(1,523)	(5,723)
Past service cost	14	—
Balance of obligations at end of year	**55,221**	**114,378**

Actual evolution of the fair value of the plan assets

	FCC Environment (UK) Group	Giant
Balance of plan assets at beginning of year	**44,180**	**40,977**
Expected return on assets	2,185	2,237
Actuarial gains/losses	434	—
Changes due to exchange rate	3,109	5,581
Contributions by the employer	1,555	2,105
Contributions by participants	23	1,473
Benefits paid	(1,523)	(5,723)
Settlements	(108)	—
Balance of plan assets at end of year	**49,855**	**46,650**

Reconciliation of the actual evolution of the obligation less the plan assets to the balance effectively recognised in the balance sheet

	FCC Environment (UK) Group	Giant
Net balance of obligations less plan assets at end of year	**5,366**	**67,728**

2013

Actual evolution of the present value of the obligation

	FCC Environment (UK) Group	Giant
Balance of obligations at beginning of year	**46,770**	**102,076**
Current service cost	367	911
Interest cost	2,029	3,492
Contributions by participants	23	84
Actuarial gains/losses	(460)	(7,745)
Changes due to exchange rate	(985)	(4,206)
Benefits paid in 2013	(1,022)	(5,408)
Past service cost	—	(4,718)
Balance of obligations at end of year	**46,722**	**84,486**

Actual evolution of the fair value of the plan assets

	FCC Environment (UK) Group	Giant
Balance of plan assets at beginning of year	40,829	41,265
Expected return on assets	1,800	2,965
Actuarial gains/losses	2,007	—
Changes due to exchange rate	(860)	(1,845)
Contributions by the employer	1,501	1,849
Contributions by participants	23	2,151
Benefits paid	(1,022)	(5,408)
Settlements	(98)	—
Balance of plan assets at end of year	44,180	40,977

Reconciliation of the actual evolution of the obligation less the plan assets to the balance effectively recognised in the balance sheet

	FCC Environment (UK) Group	Giant
Net balance of obligations less plan assets at end of year	2,542	43,509

27. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2014, the Group had provided EUR 4,465,991 thousand (31 December 2013: EUR 4,581,832 thousand) of guarantees to third parties, consisting mainly of completion bonds provided to Government Agencies and private-sector customers as security for the performance of construction projects and urban cleaning contracts.

Fomento de Construcciones y Contratas, S.A. and the Group's subsidiaries are acting as defendants 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 (see note 20). 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 connection with these lawsuits, in addition to those relating to Alpine (see note 20), it should be noted that on 15 January 2015 the Competition Section of the Spanish National Markets and Competition Commission issued a resolution in relation to case file S/0429/12 for an alleged infringement of Article 1 of Spanish Competition Law 15/2007. The aforementioned resolution affects various companies and associations in the waste industry, including FCC and other companies in the FCC Group. This resolution will be appealed at the Judicial Review Chamber of the National Appellate Court. No provision was recognised to cover the financial consequences of the aforementioned resolution, since it is considered that it is a court proceeding with a right of appeal and in which the definitive penalty to be imposed, where applicable, shall be specified in the decisions to be handed down.

In relation to the Group companies' interests in joint operations managed jointly through unincorporated joint ventures, joint property entities, silent participation agreements and other entities of a similar nature, the venturers share joint and several liability with respect to the activity carried on (see note 13).

28. INCOME AND EXPENSES

28.A) Operating income

The Group classifies operating income under "Revenue", except for that arising from in-house work on non-current assets and other income, such as grants related to income, emission allowances, etc.

Note 29, "Segment Reporting" shows the contribution of the business lines to consolidated revenue.

The detail of "Other Operating Income" in 2014 and 2013 is as follows:

	2014	2013
Income from sundry services	114,585	132,557
CO_2 emission allowances (note 30)	20,783	2,584
Compensation received from insurance companies	5,490	6,302
Grants related to income	13,810	12,431
Other income	63,946	67,811
	218,614	221,685

28.B) Procurements

The detail of "Procurements" at 31 December 2014 and 2013 is as follows:

	2014	2013
Work performed by subcontractors and other companies	1,179,258	1,515,807
Purchases and procurements	1,041,659	1,088,744
	2,220,917	2,604,551

28.C) Staff costs

The detail of "Staff Costs" in 2014 and 2013 is as follows:

	2014	2013
Wages and salaries	1,468,392	1,541,263
Social Security costs	411,521	421,392
Other staff costs	36,783	42,346
	1,916,696	2,005,001

The average number of employees at the Group, by professional category, in 2014 and 2013 was as follows:

	2014	2013
Managers and university graduates	1,971	3,334
Professionals with qualifications	5,712	8,852
Clerical and similar staff	5,940	8,666
Other salaried employees	49,799	58,716
	63,422	79,568

The number of employees included in the foregoing table who discharged duties at companies that were classified as discontinued operations in 2014 amounted to 4,358 (2013: 19,470 employees).

The average number of employees at the Group, by gender, in 2014 and 2013 was as follows:

	2014	2013
Men	49,620	63,712
Women	13,802	15,856
	63,422	79,568

28.D) Impairment and gains or losses on disposals of non-current assets

The detail of "Impairment and Gains or Losses on Disposals of Non-Current Assets" in 2014 and 2013 is as follows:

	2014	2013
Gain on disposal of: (note 5)		
Cementos Lemona swap	—	89,802
Southern Cement Limited	—	15,158
Other	447	—
Gains or losses on disposals of other items of property plant and equipment and intangible assets	12,778	2,907
Impairment of goodwill (note 7)	—	(262,690)
Impairment of other items of property, plant and equipment and intangible assets (recognition)/reversal (notes 7 and 8)	(665,130)	(83,644)
Other	4	(278)
	(651,901)	(238,745)

It should be noted that "Impairment of Other Items of Property, Plant and Equipment and Intangible Assets (Recognition)/Reversal" in 2014 includes EUR 649,681 thousand relating to the impairment of assets of the FCC Environment (UK) Group (notes 7 and 8).

28.E) Other gains or losses

"Other Gains or Losses" in the accompanying consolidated statement of profit or loss includes notably the recognition of provisions amounting to EUR 64,000 thousand to cover the challenge to the sale of Alpine Energie (see note 20) and of EUR 34,000 thousand to cover risks relating to the property business in the Construction Area. Noteworthy in 2013 were items relating to the provisions for restructuring costs and non-recurring losses, primarily in the Construction, Cement and Central Services Areas, amounting to EUR 75,580 thousand, EUR 58,566 thousand and EUR 14,710 thousand, respectively.

28.F) Finance income and costs

The detail of the finance income in 2014 and 2013, based on the assets giving rise thereto, is as follows:

	2014	2013
Finance income arising from debt reduction (note 18)	135,000	—
Held-for-trading financial assets	1,482	1,412
Available-for-sale financial assets	377	49
Held-to-maturity investments	3,852	3,215
Non-current and current credits	22,903	44,523
"Total price payment" system construction contracts	4,854	6,952
Cash and cash equivalents and other	8,794	15,454
	177,262	71,605

The detail of the finance costs in 2014 and 2013 is as follows:

	2014	2013
Recognition of initial refinancing costs (note 18)	35,114	—
Credit facilities and loans	406,514	415,110
Limited recourse project finance loans	31,662	34,735
Obligations under finance leases	2,917	5,030
Other payables to third parties	20,096	22,896
Assignment of accounts receivable and ""total price payment" system construction contracts	21,756	14,651
Other finance costs	34,994	17,671
	553,053	510,093

In relation to the table above, it should be noted that, as a result of the entry into force of the "New Restructuring Framework Agreement" (see note 21), the refinancing terms and conditions which came into effect in June 2014 (see note 21) were substantially modified and, accordingly, the costs yet to be recognised inherent to the aforementioned refinancing agreement, amounting to EUR 35,114 thousand, were recognised in December 2014.

28.G) Changes in fair value of financial instruments

Of note in 2014 is the income recognised as a result of the collection of EUR 5,000 thousand relating to a portion of the contingent collection arising from the sale of the Proactiva subgroup in 2013 (see note 5) Of particular note in 2013 was the fair value gain of EUR 18,344 thousand on the derivatives that do not qualify for hedge accounting associated with the share option plan and on the derivatives arranged to replace the derivatives relating to the first share option plan that expired in 2013 (see note 19).

28.H) Impairment and gains or losses on disposals of financial instruments

Notable in 2014 was the impairment, amounting to EUR 69,109 thousand, of loans to joint ventures and associates in the Construction Area.

28.I) Result of companies accounted for using the equity method

The detail of "Result of Companies Accounted for Using the Equity Method" is as follows:

	2014	2013
Profit (Loss) for the year (note 12)	(89,276)	(32,672)
Joint ventures	(40,964)	(9,786)
Associates	(48,312)	(22,886)
Gains or losses on disposals and other	4,492	66,956
	(84,784)	34,284

The results included under "Gains or Losses on Disposals and Other" in 2013 included most notably the gain arising from the sale of Proactiva (see note 5), the disposal of which gave rise to the recognition of a gain of EUR 51,959 thousand, which included a loss arising from the recognition in results of the negative valuation adjustments of EUR 12,479 thousand contributed by it (with the latter amount having no impact on equity).

29. SEGMENT REPORTING

29.A) Business segments

The business segments presented coincide with the business areas, as described in note 1. The segment information shown in the following tables was prepared in accordance 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 "Corporate" column includes the financial activity relating to the Group's centralised cash Management, operation of the companies that do not belong to any of the Group's business areas mentioned above, the Energy Area that is classified as a discontinued operation and the elimination of inter-segment transactions.

Statement of profit or loss by segment

In particular, the information shown in the following tables includes the following items as the segment result for 2014 and 2013:

- All operating income and expenses of the subsidiaries and jointly managed contracts relating to the business carried on by the segment.
- Interest income and expenses arising from segment assets and liabilities, dividends and gains and losses on sales of the financial investments of the segment.
- Share of the result of companies accounted for using the equity method.
- The income tax expense relating to the transactions performed by each segment.
- The results of discontinued operations.
- The contribution of each area to the equity attributable to the shareholders of Fomento de Construcciones y Contratas, S.A. is shown under "Contribution to FCC Group Profit (Loss)".

	Total Group	Environmental Services	Integral Water Management	Construction	Cement	Corporate
2014						
Revenue	6,334,066	2,805,013	953,958	2,076,103	542,922	(43,930)
Other income	263,713	48,128	41,823	115,067	38,606	20,089
Operating expenses	(5,793,823)	(2,434,793)	(787,426)	(2,092,988)	(476,777)	(1,839)
Depreciation and amortisation charge	(404,269)	(206,718)	(81,830)	(36,657)	(73,815)	(5,249)
Other gains or losses	(745,240)	(649,384)	(2,632)	(33,700)	4,973	(64,497)
Profit (Loss) from operations	(345,553)	(437,754)	123,893	27,825	35,909	(95,426)
Percentage of revenue	(5.46%)	(15.61%)	12.99%	1.34%	6.61%	217.22%
Finance income and costs	(375,791)	(181,827)	(35,750)	(46,127)	(100,445)	(11,642)
Other financial profit (loss)	(12,684)	(2,933)	(10,047)	(8,510)	(257)	9,063
Result of companies accounted for using the equity method	(84,784)	8,147	10,648	(73,149)	172	(30,602)
Profit (Loss) before tax from continuing operations	**(818,812)**	**(614,367)**	**88,744**	**(99,961)**	**(64,621)**	**(128,607)**
Income tax	64,171	148,576	(21,202)	(79,847)	14,040	2,604
Profit (Loss) for the year from continuing operations	**(754,641)**	**(465,791)**	**67,542**	**(179,808)**	**(50,581)**	**(126,003)**
Profit (Loss) for the year from discontinued operations, net of tax	21,228	5,523	—	—	—	15,705
Consolidated profit (loss) for the year	**(733,413)**	**(460,268)**	**67,542**	**(179,808)**	**(50,581)**	**(110,298)**
Profit (Loss) attributable to non-controlling interests	(9,119)	2,885	945	59	1,692	(14,700)
Profit (Loss) attributable to the Parent	**(724,294)**	**(463,153)**	**66,597**	**(179,867)**	**(52,273)**	**(95,598)**
Contribution to FCC Group profit (loss)	**(724,294)**	**(463,153)**	**66,597**	**(179,867)**	**(39,127)**	**(108,744)**

	Total Group	Environmental Services	Integral Water Management	Construction	Cement	Corporate
2013						
Revenue	6,749,981	2,770,649	945,614	2,597,072	540,878	(104,232)
Other income	321,293	44,158	36,314	149,994	19,102	71,725
Operating expenses	(6,563,794)	(2,390,244)	(788,267)	(2,849,571)	(509,627)	(26,085)
Depreciation and amortisation charge	(425,793)	(227,616)	(80,871)	(33,632)	(79,368)	(4,306)
Other gains or losses	(389,357)	(265,446)	3,100	(117,064)	4,796	(14,743)
Profit (Loss) from operations	(307,670)	(68,499)	115,890	(253,201)	(24,219)	(77,641)
Percentage of revenue	(4.56%)	(2.47%)	12.26%	(9.75%)	(4.48%)	74.49%
Finance income and costs	(438,488)	(152,046)	(70,807)	(80,529)	(102,798)	(32,308)
Other financial profit (loss)	(77,804)	4,581	(1,728)	(84,311)	298	3,356
Result of companies accounted for using the equity method	34,284	56,619	9,897	5,677	(3,084)	(34,825)
Profit (Loss) before tax from continuing operations	**(789,678)**	**(159,345)**	**53,252**	**(412,364)**	**(129,803)**	**(141,418)**
Income tax	135,376	(45,015)	(18,746)	103,827	56,602	38,708
Profit (Loss) for the year from continuing operations	**(654,302)**	**(204,360)**	**34,506**	**(308,537)**	**(73,201)**	**(102,710)**
Profit (Loss) for the year from discontinued operations, net of tax	(876,014)	(63,420)	—	(423,868)	—	(388,726)
Consolidated profit (loss) for the year	**(1,530,316)**	**(267,780)**	**34,506**	**(732,405)**	**(73,201)**	**(491,436)**
Non-controlling interests	(24,011)	1,603	2,025	(2,088)	(1,276)	(24,275)
Profit (Loss) attributable to the Parent	**(1,506,305)**	**(269,383)**	**32,481**	**(730,317)**	**(71,925)**	**(467,161)**
Contribution to FCC Group profit (loss)	**(1,506,305)**	**(269,383)**	**32,481**	**(730,317)**	**(51,485)**	**(487,601)**

With regard to "Corporate" in the tables above, the following items are particularly worthy of note with regard to the contribution to the FCC Group's net profit (loss) net of tax:

Contribution to FCC Group profit (loss) (net of tax)

	2014	2013
Profit (Loss) from discontinued operations	15,705	(388,726)
Provision for contingencies, Alpine-SPV	(48,000)	—
Income arising from financing reduction	94,500	—
Recognition of initial refinancing costs	(24,578)	—
Stock option derivatives	5,706	12,841
Bank borrowing costs	(177,436)	(151,495)
Other	25,359	39,779
	(108,744)	(487,601)

Balance sheet by segment

2014	Total Group	Environmental Services	Integral Water Management	Construction	Cement	Corporate
ASSETS						
Non-current assets	**7,853,777**	**2,689,643**	**1,590,014**	**1,029,008**	**2,088,871**	**456,241**
Intangible assets	2,967,524	744,183	944,863	445,545	755,718	77,215
Property, plant and equipment	3,154,474	1,582,558	317,526	132,371	1,102,577	19,442
Investment property	21,090	—	—	20,297	793	—
Investments accounted for using the equity method	239,804	84,791	140,678	(88,160)	26,257	76,238
Non-current financial assets	426,674	174,779	141,607	54,610	17,108	38,570
Deferred tax assets	1,044,211	103,332	45,340	464,345	186,418	244,776
Current assets	**6,169,092**	**1,401,763**	**675,147**	**2,831,596**	**256,312**	**1,004,274**
Non-current assets classified as held for sale	1,002,520	—	—	—	—	1,002,520
Inventories	760,581	47,955	23,260	581,985	107,332	49
Trade and other receivables	2,399,070	829,346	280,507	1,196,592	97,651	(5,026)
Other current financial assets	380,398	94,908	245,990	409,793	3,118	(373,411)
Other current assets	89,375	34,494	356	51,123	3,016	386
Cash and cash equivalents	1,537,148	395,060	125,034	592,103	45,195	379,756
Total assets	**14,022,869**	**4,091,406**	**2,265,161**	**3,860,604**	**2,345,183**	**1,460,515**
EQUITY AND LIABILITIES						
Equity	**495,422**	**466,190**	**787,109**	**303,191**	**622,753**	**(1,683,821)**
Non-current liabilities	**7,833,952**	**1,767,022**	**735,519**	**1,197,497**	**671,275**	**3,462,639**
Grants	239,271	7,728	31,170	196,770	3,603	—
Long-term provisions	1,157,870	436,174	108,695	276,861	82,131	254,009
Non-current financial liabilities	5,682,244	1,075,037	512,776	618,307	413,453	3,062,671
Deferred tax liabilities	562,366	217,183	50,872	68,892	172,088	53,331
Other non-current liabilities	192,201	30,900	32,006	36,667	—	92,628
Current liabilities	**5,693,495**	**1,858,194**	**742,533**	**2,359,916**	**1,051,155**	**(318,303)**
Liabilities associated with non-current assets classified as held for sale	776,929	—	—	—	—	776,929
Short-term provisions	288,469	4,387	22,766	210,297	18,175	32,844
Current financial liabilities	1,381,098	315,932	229,861	177,768	948,430	(290,893)
Trade and other payables	3,246,999	632,346	465,480	1,971,851	84,550	92,772
Intra-Group transactions	—	905,529	24,426	—	—	(929,955)
Total equity and liabilities	**14,022,869**	**4,091,406**	**2,265,161**	**3,860,604**	**2,345,183**	**1,460,515**

2013	Total Group	Environmental Services	Integral Water Management	Construction	Cement	Corporate
ASSETS						
Non-current assets	**8,458,110**	**3,174,637**	**1,593,982**	**1,244,864**	**2,114,999**	**329,628**
Intangible assets	2,864,395	672,792	952,544	407,297	751,160	80,602
Property, plant and equipment	3,736,266	2,170,185	321,888	130,086	1,112,816	1,291
Investment property	16,827	—	—	16,827	—	—
Investments accounted for using the equity method	371,826	81,744	125,362	101,118	27,267	36,335
Non-current financial assets	386,799	130,803	156,315	44,125	22,783	32,773
Deferred tax assets	1,081,997	119,113	37,873	545,411	200,973	178,627
Current assets	**7,174,031**	**1,321,002**	**504,950**	**3.007,777**	**257,643**	**2,082,659**
Non-current assets classified as held for sale	2,172,503	81,139	—	—	—	2,091,364
Inventories	798,264	52,992	24,559	616,945	103,723	45
Trade and other receivables	2,743,546	840,717	288,265	1,512,191	98,219	4,154
Other current financial assets	396,331	124,928	105,714	306,521	3,699	(144,531)
Other current assets	75,765	32,283	940	34,219	4,132	4,191
Cash and cash equivalents	987,622	188,943	85,472	537,901	47,870	127,436
Total assets	**15,632,141**	**4,495,639**	**2,098,932**	**4,252,641**	**2,372,642**	**2,412,287**
EQUITY AND LIABILITIES						
Equity	**243,156**	**484,263**	**714,106**	**528,259**	**557,292**	**(2,040,764)**
Non-current liabilities	**3,475,349**	**1,234,662**	**618,471**	**742,182**	**728,661**	**151,373**
Grants	228,728	5,530	29,292	190,593	3,313	—
Long-term provisions	1,092,483	411,400	105,942	330,970	61,695	182,476
Non-current financial liabilities	1,136,956	415,738	416,837	97,585	449,128	(242,332)
Deferred tax liabilities	802,771	377,777	54,093	81,590	214,525	74,786
Other non-current liabilities	214,411	24,217	12,307	41,444	—	136,443
Current liabilities	**11,913,636**	**2,776,714**	**766,355**	**2,982,200**	**1,086,689**	**4,301,678**
Liabilities associated with non-current assets classified as held for sale	1,729,204	21,789	—	—	—	1,707,415
Short-term provisions	341,375	1,354	19,436	294,495	24,863	1,227
Current financial liabilities	6,394,671	930,102	267,399	533,524	975,174	3,688,472
Trade and other payables	3,448,386	640,462	457,415	2,154,181	86,652	109,676
Intra-Group transactions	—	1,183,007	22,105	—	—	(1,205,112)
Total equity and liabilities	**15,632,141**	**4,495,639**	**2,098,932**	**4,252,641**	**2,372,642**	**2,412,287**

Cash flows by segment

	Total Group	Environmental Services	Integral Water Management	Construction	Cement	Corporate
2014						
From operating activities	608,859	355,780	219,429	97,103	84,769	(148,222)
From investing activities	(167,213)	(118,396)	(220,467)	(214,591)	8,949	377,292
From financing activities	85,696	(43,351)	41,112	163,982	(99,296)	23,249
Other cash flows	22,184	12,084	(512)	7,708	2,904	—
Cash flows for the year	**549,526**	**206,117**	**39,562**	**54,202**	**(2,674)**	**252,319**
2013						
From operating activities	774,791	575,620	198,774	36,345	25,357	(61,305)
From investing activities	(411,493)	80,545	(114,743)	(149,485)	10,112	(237,922)
From financing activities	(368,159)	(634,659)	(87,252)	79,042	(81,911)	356,621
Other cash flows	(177,716)	(7,970)	576	(164,227)	300	(6,395)
Cash flows for the year	**(182,577)**	**13,536**	**(2,645)**	**(198,325)**	**(46,142)**	**50,999**

29.B) Activities and investments by geographical market

Approximately 44% of the Group's business is conducted abroad (2013: 43%).

The breakdown, by market, of the revenue earned abroad by the Group companies in 2014 and 2013 is as follows:

	Total Group	Environmental Services	Integral Water Management	Construction	Cement
2014					
European Union	1,568,104	1,206,883	135,090	190,593	35,538
US	197,420	1,334	—	19,396	176,690
Latin America	668,327	—	24,113	640,516	3,698
Other	359,720	19,227	21,746	187,727	131,020
	2,793,571	**1,227,444**	**180,949**	**1,038,232**	**346,946**

	Total Group	Environmental Services	Integral Water Management	Construction	Cement
2013					
European Union	1,517,573	1,180,375	138,606	167,309	31,283
US	202,642	—	—	15,989	186,653
Latin America	916,591	—	35,665	879,921	1,005
Other	233,109	18,024	21,505	86,636	106,944
	2,869,915	1,198,399	195,776	1,149,855	325,885

In accordance with IFRS 8 "Segment Reporting", the following information, by geographical area, included in the accompanying consolidated financial statements is shown below:

	Total Group	Spain	UK	Czech Republic	Other EU countries	US	Latin America	Rest
2014								
ASSETS								
Intangible assets	2,967,524	1,992,782	428,534	967	240,612	40,025	264,555	49
Property, plant and equipment	3,154,474	1,263,459	837,670	272,267	254,482	448,714	12,400	65,482
Investment property	21,090	390	—	—	9,400	—	—	11,300
Deferred tax assets	1,044,211	836,948	75,810	2,187	10,285	117,379	591	1,011
2013								
ASSETS								
Intangible assets	2,864,395	1,979,599	343,037	1,055	245,995	36,146	258,555	8
Property, plant and equipment	3,736,266	1,343,284	1,402,746	275,634	256,534	397,638	13,428	47,002
Investment property	16,827	398	—	—	5,882	—	—	10,547
Deferred tax assets	1,081,997	853,926	86,001	2,012	9,633	126,907	1,546	1,972

29.C) Headcount

The average number of employees in 2014 and 2013, by business area, was as follows:

	2014	2013
Environmental Services	43,650	43,662
Integral Water Management	7,467	7,257
Construction	10,129	25,903
Cement	1,804	2,177
Corporate	372	569
	63,422	79,568

30. INFORMATION ON THE ENVIRONMENT

At a meeting held on 3 June 2009, the Board of Directors of FCC approved the FCC Group's environmental policy which responded to the initial objectives of the Corporate Responsibility Master Plan, thereby reinforcing the Group's social responsibility commitment as part of its strategy, and reflecting its considerable involvement in environmental services.

The FCC Group carries on its activities based on commitment and corporate responsibility, compliance with applicable legal requirements, respect for the relationship with its stakeholders and its desire to generate wealth and social well-being.

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 its vocation for service represented by activities with a clear environmental focus, the FCC Group fosters and encourages the following principles throughout the organisation, which form the basis of its contribution to sustainable development:

Continuous improvement

To promote environmental excellence through the setting of 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 on 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 and by minimising the impact of the emissions, discharges and waste generated and managed as a result of the FCC Group's activities.

Observation of the environment and innovation

To identify the risks and opportunities of the activities with respect to the changing natural environment in order to promote innovation and the use of new technologies, and to generate synergies between the FCC Group's various activities.

Life cycle of the 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 participation of all is a must

To promote awareness and application of the environmental principles among employees and other stakeholders.

To share experience of best practices with the various stakeholders to promote alternative solutions to those already established to help achieve a sustainable environment.

This environmental policy is implemented using quality and environmental Management systems and follow-up audits which evidence the measures taken by the FCC Group in this area. With regard to environmental risk Management, the Group has implemented environmental Management systems certified under ISO 14001 standards in the various business areas, which focus on:

a) Compliance with the applicable regulations and achievement of environmental objectives that go beyond external requirements.
b) Reduction of environmental impact through adequate planning.
c) Ongoing analysis of risks and possible improvements.

The basic risk prevention tool is the environmental plan which must be prepared by each operating unit and which consists of:

a) Identification of environmental issues and of applicable legislation.
b) Impact evaluation criteria.
c) Measures to be adopted.
d) A system for measuring the objectives achieved.

By their very nature, the activities of the Environmental Services Area are geared towards environmental protection and conservation, not only through the production activity itself (waste collection, street cleaning, operation and control of landfills, sewer cleaning, treatment and elimination of industrial waste, etc.), but also as a result of performing these activities using production techniques and systems designed to reduce environmental impact, on occasions surpassing the requirements stipulated in the regulations governing this area.

The performance of production activities in the Environmental Services Area requires the use of specialised structures, plant and machinery that are efficient in terms of environmental protection and conservation. At 31 December 2014, the acquisition cost of the non-current assets assigned to production in the Environmental Services Area, net of depreciation and amortisation, totalled EUR 2,326,740 thousand (31 December 2013: EUR 2,956,782 thousand). The environmental provisions, mainly for landfill sealing and shutdown expenses, totalled EUR 336,664 thousand (31 December 2013: EUR 322,353 thousand).

The activity in which Aqualia engages is directly linked to environmental protection since the driving force behind its work is, in collaboration with the various Public Authorities, efficient integral water cycle Management and ensuring the availability of water so as to allow sustainable growth of the areas where it provides its services. The main activities performed are: water quality control at both the collection and distribution stages, a 24-hour-a-day-every-day-of-the-year monitoring service enabling incidents affecting its distribution networks to be resolved as quickly as possible, with the resulting water saving, the optimisation of electricity consumption and the elimination of environmental impact caused by the discharge of waste water.

The Group's cement companies have non-current assets designed to filter atmospheric gas emissions, honour their commitments relating to the environmental restoration of depleted quarries and apply technologies that contribute to environmentally-efficient process management.

At 31 December 2014, the Cementos Portland Valderrivas Group had made environmental investments amounting to EUR 160,035 thousand (2013: EUR 158,991 miles thousand), which were recognised under "Intangible Assets" and "Property, Plant and Equipment". The related accumulated depreciation and amortisation charge amounted to EUR 81,702 thousand (2013: EUR 76,087 thousand).

Due to its cement activities, the Group receives CO_2 emission allowances for no consideration under the corresponding national allocation plans. In this connection, it should be noted that in 2014 emission allowances equivalent to 2,945 thousand tonnes per annum were received (2013: 5,947 thousand tonnes) corresponding to Cementos Portland Valderrivas, S.A. and Cementos Alfa, S.A.

"Other Operating Income" in the accompanying consolidated statement of profit or loss includes the income of EUR 20,783 thousand (2013: EUR 2,584 thousand) from sales of greenhouse gas emission allowances in 2014 (see note 28-a).

The Construction Area adopts environmental practices which make it possible to respect the environment in the performance of construction projects, and minimises its 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 programs for line personnel involved in the environmental decision-making process. It has also implemented an "Environmental behaviour code" which establishes the environmental conservation and protection requirements for subcontractors and suppliers.

Also, it is considered that there were no significant contingencies in relation to the protection and improvement of the environment at 31 December 2014 that might have a material impact on the accompanying consolidated financial statements.

For further information on the matters discussed in this note, please refer to the Group's "Corporate Social Responsibility" report, which is published annually on FCC's website, www.fcc.es, among other channels.

31. 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 consolidated 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:

31.A) Capital risk

The Group manages its capital to reasonably ensure that the FCC Group companies are capable of continuing as profitable businesses while maximising the return for their shareholders.

The strategy of the Group as a whole continues to focus on geographical diversification and the development and expansion of its business activities in both OECD countries and emerging markets.

Financial Management, which is responsible for the Management of financial risks, periodically reviews the Debt-Equity Ratio and compliance with the financing covenants and the capital structure of the subsidiaries.

31.B) The FCC Group is exposed to foreign currency risk

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 made in the same currency.

Although the FCC Group's reference currency and that with which it mainly operates is the euro, the FCC Group also has certain financial assets and liabilities denominated in currencies other than the euro. The foreign currency risk arises mainly on debt denominated in foreign currencies, on investments to be made in international markets and on amounts received in a currency other than the euro.

As shown in the following table, this risk is mitigated since at 31 December 2014 85% of the Group's net debt was denominated in euros, followed by pounds sterling in second place and US dollars in third place. This is very similar to the situation at 31 December 2013.

CONSOLIDATED								
	Euro	US dollar	Pound sterling	Czech koruna	Non-eurozone European countries	Latin America	Other	Total
Total consolidated net debt	4,261,555	374,630	485,844	150,890	(2,428)	(44,570)	(209,881)	5,016,040
Net debt as a percentage of total debt	85.0%	7.5%	9.7%	3.0%	—	(0.9%)	(4.2%)	100.0%

The breakdown, by currency, of cash and cash equivalents is detailed in note 17 to these consolidated financial statements, which indicates that 64% was denominated in euros at 31 December 2014 (31 December 2013: 55%).

The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its consolidated financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes.

The FCC Group therefore manages the effect that foreign currency risk can have on the consolidated balance sheet and consolidated statement of profit or loss.

31.C) The FCC Group is exposed to interest rate risk

The FCC Group is exposed to risks arising from interest rate fluctuations, since the Group's financial policies aim to guarantee that its current financial assets and its debt are partially tied to floating interest rates. The reference interest rate for the bank borrowings of the FCC Group arranged in euros is mainly Euribor.

Any interest rate increase could increase the borrowing costs on the FCC Group's debt tied to floating rates and could increase, in turn, the refinancing costs of the FCC Group's debt and the costs involved in issuing new debt.

In order to ensure a position that is in the FCC Group's best interest, an interest rate risk management policy is actively implemented based on the ongoing monitoring of markets and on assuming different positions based primarily on the asset being financed.

Furthermore, as part of the FCC Group's interest rate risk management policy, interest rate hedging transactions and fixed-rate financing were arranged in 2014, accounting for 27% of the total gross debt of the Group at the end of the year, including Project Structured Financing hedges.

The following table presents a breakdown of the FCC Group's gross debt and of its debt that has been hedged, either because it bears interest at a fixed rate or because it is hedged by derivatives:

	Construction	Services	Cement	Aqualia	FCC	Consolidated
Total gross borrowings	174,110	913,152	1,332,437	298,133	4,215,793	6,933,625
Hedges and fixed-rate financing at 31-12-14	(73,183)	(752,036)	(376,034)	(236,428)	(451,007)	(1,888,688)
Total floating-rate debt	**100,927**	**161,116**	**956,403**	**61,705**	**3,764,786**	**5,044,937**
Ratio: Floating-rate debt / Net borrowings at 31-12-14	**58.0%**	**17.6%**	**71.8%**	**20.7%**	**89.3%**	**72.8%**

31.D) Solvency risk

The most representative ratio for measuring solvency and capability of repaying the debt is Net Debt/EBITDA.

At 31 December 2014, the FCC Group's net financial debt presented in the accompanying consolidated balance sheet amounted to EUR 5,016,040 thousand, as shown in the following table:

	2014	2013
Bank borrowings	5,756,393	6,228,416
Debt instruments and other marketable securities	906,724	851,111
Other interest-bearing financial debt	270,508	268,880
Current financial assets	(380,437)	(396,320)
Cash and cash equivalents	(1,537,148)	(987,622)
Net financial debt	**5,016,040**	**5,964,465**
Net limited recourse debt	**(2,217,678)**	**(2,188,672)**
Net recourse borrowings	**2,798,362**	**3,775,793**

It is important to note with regard to "Solvency risk" that, although the Group's consolidated financial statements present losses of EUR 724,294 thousand, these relate mostly to the write-down of EUR 649,681 thousand before tax of property, plant and equipment performed at FCC Environment (UK) (see notes 7, 8 and 28), which did not affect cash and will not affect the FCC Group's borrowings in the future (and, therefore, will similarly not affect its solvency risk).

31.E) The FCC Group is exposed to liquidity risk

The FCC Group performs its transactions in industries which require a high level of financing, and to date it has obtained sufficient financing to be able to carry on its operations. However, the FCC Group cannot guarantee that these circumstances relating to the obtainment of financing will continue in the future.

The capacity of the FCC Group to obtain financing depends on many factors, many of which are outside its control, such as general economic conditions, the availability of bank funds and the monetary policies of the markets in which the FCC Group operates. Unfavourable conditions in the debt and capital markets can obstruct or impede the obtainment of adequate financing for the performance of the business activities of the FCC Group.

Apart from seeking new sources of financing, the FCC Group may need to refinance a portion of its current debt through bank loans and debt issues, since a significant portion of the financing of the FCC Group matures in 2018. Historically, the FCC Group has always been able to renew its loan agreements and expects to continue to do so over the next twelve months. However, the ability to renew the loan agreements depends on various factors, many of which are outside the control of the FCC Group, such as the general conditions of the economy, the availability of funds for loans from private investors and banks and the monetary policies of the markets in which the FCC Group operates. Unfavourable conditions in the debt markets can obstruct or impede the FCC Group's capacity to renew its financing. Therefore, the FCC Group cannot guarantee its capacity to renew the loan agreements on economically attractive terms. The inability to renew these loans or ensure adequate financing on acceptable terms could have an adverse impact on the liquidity of the FCC Group and on its ability to cover working capital requirements.

In order to adequately manage this risk, the FCC Group closely monitors the maturities of all the credit lines and financing of each of the Group companies so that they can be renewed in sufficient time and on the best terms offered by the market, analyses the suitability of the financing on a case-by-case basis and studies any alternatives with more favourable terms. In addition, the FCC Group is present in various markets in order to facilitate the obtainment of financing and to mitigate liquidity risk.

At 31 December 2014, the Group had the following repayment schedule for its gross borrowings, which for 2015 amounts to EUR 1,317,783 thousand.

2015 Total Jan-Dec	2016 Total Jan-Dec	2017 Total Jan-Dec	2018 Total Jan-Dec	2019 and subsequent years	TOTAL
1,317,783	376,779	227,483	4,170,179	841,401	6,933,625

In this connection, the most significant of the Group's credit facilities came into force in June 2014. A syndicated four-year loan of EUR 4,528 million with certain covenants enabling the maturity of the Group's debt to be extended significantly. These include the obtainment and renewal of new working capital financing lines (leasing, factoring, reverse factoring, etc.), and international guarantee lines of EUR 250 million, extendible to EUR 450 million and the novation for six years (until October 2020) of the current convertible bond of EUR 450 million.

With the entry into force of the refinancing and the capital increase, the Group understands that the factors raising doubts as to the continuity of the Group no longer exist and that it can finance its business activities.

Both transactions form one of the basic pillars for reaching the restructuring and profitability objectives foreseen in the Strategic Plan.

31.F) Concentration risk

This risk arises from the concentration of financing transactions with common features which are distributed as follows:

- Sources of financing: in order to diversify this risk, the FCC Group works with numerous Spanish and international financial institutions in order to obtain financing.
- Markets/geographical area (Spanish, foreign): the FCC Group operates in a wide variety of Spanish and international markets. The Group's debt is concentrated mainly in euros and the remainder in various currencies in several international markets.
- Products: the FCC Group uses various financial products, including loans, debt securities, syndicated transactions, factoring, discounting, etc.
- Currency: the FCC Group finances its operations in a wide variety of currencies, corresponding to the country in which the investment is being made.

The FCC Group's strategic planning process identifies the objectives to achieve in each of the areas of business activity, based on the improvements to be implemented, market opportunities and the level of risk considered acceptable. This process serves as a basis for the preparation of the operating plans which 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 businesses related to infrastructure construction and Management, provision of environmental services, energy and others. In terms of geographical diversification, in 2014 business abroad accounted for 44% of total sales, with particular relative importance in the Group's most significant areas: infrastructure construction and environmental services.

31.G) Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Group, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position, could result in the risk of non-payment of the amounts owed.

The Group requests commercial reports and assesses the financial solvency of its customers before entering into agreements with them and also engages in ongoing monitoring of customers, and has a procedure in place to be followed in the event of insolvency. In the case of public customers, the Group follows the policy of not accepting projects without an allocated budget and financial approval. Offers exceeding a certain collection period must be authorised by Financial Management. Furthermore, late payment is monitored on an ongoing basis by specific bodies, including the risk committees.

31.H) Financial derivatives designated as hedging instruments

In general, the financial derivatives arranged by the FCC Group are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in the notes to the consolidated financial statements. The main financial risk hedged by the FCC Group using derivative instruments relates to fluctuations in the floating interest rates to which the FCC Group companies' financing is tied. Financial derivatives are measured by experts on the subject that are independent from the Group and the entities financing it, using generally accepted methods and techniques.

Sensitivity analyses are carried out periodically in order to observe the effect of a possible change in interest rates on the Group's accounts.

Accordingly, a simulation was performed using three rising basic yield curve scenarios around 0.17% at 31 December 2014, assuming increases in the curve of 25 bp, 50 bp and 100 bp. The amounts obtained in relation to the derivatives in force at year-end with an impact on equity are shown below (in thousands of euros), after the application, where applicable, of the percentage of ownership.

	Hedging derivatives		
	+25 bp	+50 bp	+100 bp
Impact on equity:			
Fully consolidation	3,924	7,894	15,813
Equity method	17,103	33,627	65,062
Discontinued operations	8,009	15,783	30,655

As in the case of derivatives, a table is shown below summarising the effect that the aforementioned increases and decreases in the interest rate yield curve on the net debt, after excluding any hedged debt, would have on the FCC Group's consolidated statement of profit or loss:

	Net debt		
	+25 bp	+50 bp	+100 bp
Impact on the statement of profit or loss	8,266	16,532	33,064

32. INFORMATION ON RELATED PARTY TRANSACTIONS

32.A) Transactions with Directors of the Parent and Senior Executives of the Group

The detail of the fixed and variable remuneration earned by the Directors of Fomento de Construcciones y Contratas, S.A. in 2014 and 2013 and payable to them by the Company or by any of the Group companies, joint ventures or associates is as follows:

	2014	2013
Fixed remuneration	2,900	2,950
Other remuneration	2,759	914
	5,659 (*)	3,864 (**)

(*) In 2014 Mr. Juan Béjar Ochoa earned triennial variable remuneration of EUR 1,600 thousand corresponding to 2013, the payment thereof being subject to his contractual terms and conditions.

(**) Also, EUR 7,500 thousand would have to be added to the preceding figures in relation to the termination benefits negotiated with the former CEO due to early termination of his contract.

The Senior Executives listed below, who are not members of the Board of Directors, earned total remuneration of EUR 4,131 thousand in 2014 (2013: EUR 4,192 thousand).

2014	
Agustín García Gila	Chairman of Environmental Services
Eduardo González Gómez	Chairman of FCC Aqualia and Director of Institutional Relations of FCC
José Luis Sáenz de Miera	Chairman and CEO of Cementos Portland Valderrivas
Miguel Jurado Fernández	Chairman of FCC Construcción
Juan José Drago Masià	General Administration Manager
Miguel Hernanz Sanjuán	General Internal Audit Manager
Víctor Pastor Fernández	General Finance Manager
José Manuel Velasco Guardado	General Communication and Corporate Responsibility Manager
Ana Villacañas Beades	General Organisation Manager

2013	
Agustín García Gila	Chairman of FCC Medio Ambiente
Eduardo González Gómez	Chairman of Energy and Chairman of Aqualia
Fernando Moreno García	Chairman of FCC Construcción, S.A.
Antonio Gómez Ciria	General Administration Manager
Miguel Hernanz Sanjuán	General Internal Audit Manager
Víctor Pastor Fernández	General Finance Manager
José Luis Sáenz de Miera	Chairman and CEO of Cementos Portland Valderrivas
José Manuel Velasco Guardado	General Communication and Corporate Responsibility Manager
Ana Villacañas Beades	General Organisation Manager

The information in relation to the insurance policy taken out for, among others, certain Executive Directors and Executives of Fomento de Construcciones y Contratas, S.A. or the Group are disclosed in note 26, "Pension Plans and Similar Obligations".

Except as indicated in note 26, no other remuneration, advances, loans or guarantees were granted to the Board members.

In relation to the investments held by the Directors of Fomento de Construcciones y Contratas, S.A., or persons related to them, in the share capital of companies outside the FCC Group; or in relation to whether they, as independent professionals or as employees, engage in an identical, similar or complementary activity to that which constitutes the company object of the Group; or in relation to whether they themselves or a person acting on their behalf have performed, with the Company or with any company of the same Group, other transactions outside the course of the Company's ordinary business operations or in conditions that were not on an arm's length basis; it should be mentioned that the aforementioned Directors have stated that they or persons related to them:

- Do not carry on, as independent professionals or as employees, any activity that is identical, similar or complementary to the activity that constitutes the Company's object.

- Do not own any investments in the share capital of companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Fomento de Construcciones y Contratas, S.A.

- Had not performed, with the Company or any company of the same Group, other transactions outside the course of the Company's ordinary business operations, or in conditions that were not on an arm's length basis.

The detail of the Directors who hold positions at companies in which Fomento de Construcciones y Contratas, S.A. holds a direct or indirect ownership interest is as follows:

Name or company name of Director	Group company name	Position
EAC INVERSIONES CORPORATIVAS, S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A. FCC CONSTRUCCIÓN, S.A.	DIRECTOR DIRECTOR
D. JUAN BÉJAR OCHOA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
D. RAFAEL MONTES SÁNCHEZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
D. FELIPE B. GARCÍA PÉREZ	FCC CONSTRUCCIÓN, S.A. FCC POWER GENERATION, S.L. Sole-Shareholder Company	DIRECTOR-SECRETARY DIRECTOR-SECRETARY
EAC MEDIO AMBIENTE, S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
D. OLIVIER ORSINI	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
D. GUSTAVO VILLAPALOS SALAS	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR

These Directors hold positions or discharge functions and/or hold ownership interests of less than 0.01% in all cases in other FCC Group companies in which Fomento de Construcciones y Contratas, S.A. directly or indirectly holds a majority of the voting power.

At the end of 2014 neither the members of the Board of Directors of Fomento de Construcciones y Contratas, S.A. nor the persons related to them as defined in the Spanish Limited Liability Companies Law had notified the other members of the Board of Directors of any direct or indirect conflict of interest they might have with respect to the Parent.

In 2014 no significant transactions giving rise to a transfer of resources or obligations between Group companies and their Executives or Directors were carried out.

32.B) Transactions between Group companies or entities

Numerous transactions take place between the Group companies as part of the Group's normal business activities which, in any event, are eliminated in the preparation of the consolidated financial statements.

The revenue recognised in the accompanying consolidated statement of profit or loss includes EUR 120,520 thousand (2013: EUR 130,967 thousand) relating to Group company billings to associates and joint ventures.

The Group's consolidated financial statements also include purchases from associates and joint ventures amounting to EUR 60,766 thousand (2013: EUR 113,912 thousand).

32.C) 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 precise mechanisms to detect, determine and resolve possible conflicts of interests between the Group companies and their Directors, Executives and significant shareholders, as indicated in Article 25 of the Board's Regulations.

33. FEES PAID TO AUDITORS

The 2014 and 2013 fees for financial audit services and for other professional services provided to the various Group companies and joint ventures composing the FCC Group by the principal auditor and by other auditors participating in the audit of the various Group companies, and by entities related to them, both in Spain and abroad, are shown in the following table:

	2014		2013	
Fees for financial audit services		**5,151**		**4,333**
Principal auditor	4,552		2,606	
Other auditors	599		1,727	
Fees for other services		**7,747**		**6,502**
Principal auditor	361		179	
Other auditors	7,386		6,323	
		12,898		10,835

The increase in 2014 in the fees for audit services provided by the principal auditor was due mainly to the inclusion of EUR 1,213 thousand for the work performed as a result of the refinancing process and capital increase.

34. EVENTS AFTER THE REPORTING PERIOD

In relation to the New Restructuring Framework Agreement (see note 21), it should be noted that, having been approved by 86.5% of the lending institutions, a court approval process was initiated in order to apply the conditions to all of the lending institutions. Once this had approved by the relevant court, legal proceedings were initiated for the presentation of challenges, which at the date of preparation of these consolidated financial statements has not yet ended.

35. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see note 2-a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDIX I. SUBSIDIARIES (FULLY CONSOLIDATED)

Company	Registered office	Effective percentage of ownership	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., Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	Deloitte
Castellana de Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Compañía Catalana de Servicios, S.A.	Balmes, 36 – Barcelona	100.00	
Compañía Control de Residuos, S.L.	Peña Redonda, 27 P.I. Silvota – Llanera (Asturias)	64.00	
Corporación Inmobiliaria Ibérica, S.A.	Ulises, 18 – Madrid	100.00	
Dédalo Patrimonial, S.L., Sole-Shareholder Company	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.	Las Mercedes, 25 – Las Arenas (Vizcaya)	51.00	
Empresa Comarcal de Serveis Mediambientals del Baix Penedés – ECOBP, S.L.	Plaça del Centre, 3 – El Vendrell (Tarragona)	66.60	Audinfor
Enviropower Investments Limited	United Kingdom	100.00	Deloitte
Equipos y Procesos, S.A.	Basílica, 19 – Madrid	80.73	
Europea de Tratamiento de Residuos Industriales, S.A.	Federico Salmón, 13 - Madrid	100.00	Deloitte
FCC Ámbito, S.A., Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Environment Services (UK) Limited	United Kingdom	100.00	
FCC Environmental Services (USA) Llc	USA	100.00	
FCC Equal CEE, S.L.	Federico Salmón, 13 - Madrid	100.00	Deloitte
FCC Medio Ambiente, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Focsa Serviços de Saneamento Urbano de Portugal, S.A.	Portugal	100.00	

Company	Registered office	Effective percentage of ownership	Auditor
Gamasur Campo de Gibraltar, S.L.	Antigua Ctra. de Jimena de la Frontera, s/n - Los Barrios (Cádiz)	85.00	PricewaterhouseCoopers
Gandia Serveis Urbans, S.A.	Llanterners, 6 – Gandia (Valencia)	95.00	Centium
Geneus Canarias, S.L., Sole-Shareholder Company	Electricista, 2. U. I. de Salinetas – Telde (Las Palmas)	100.00	
Gestió i Recuperació de Terrenys, S.A., Sole-Shareholder Company	Rambla de Catalunya, 2-4 – Barcelona	80.00	Audinfor
Golrib, Soluçoes de Valorizaçao de Residuos, Lda.	Portugal	55.00	
.A.S.A. G roup	Austria		
1. Polabská S.R.O.	Czech Republic	100.00	
.A.S.A. Abfall Service AG	Austria	100.00	Deloitte
.A.S.A. Abfall Service Betriebs GmbH	Austria	100.00	
.A.S.A. Abfall Service Freistadt GmbH	Austria	100.00	
.A.S.A. Abfall Service Halbenrain GmbH	Austria	100.00	
.A.S.A. Abfall Service Industrieviertel Betriebs GmbH	Austria	100.00	
.A.S.A. Abfall Service Mostviertel GmbH	Austria	100.00	
.A.S.A. Abfall Service Neunkirchen GmbH	Austria	100.00	
.A.S.A. Abfall Service Zistersdorf GmbH	Austria	100.00	Deloitte
.A.S.A. AbfallService Halbenrain GmbH & Co Nfg KG	Austria	100.00	Deloitte
.A.S.A. AbfallService Industrieviertel GmbH & Co Nfg KG	Austria	100.00	
.A.S.A. AbfallService Wiener Neustadt GmbH	Austria	100.00	
.A.S.A. Bulgaria E.O.O.D.	Bulgaria	100.00	Deloitte
.A.S.A. Ceské Budêjovice s.r.o	Czech Republic	75.00	Deloitte
.A.S.A. Dacice s.r.o	Czech Republic	60.00	
.A.S.A. EKO d.o.o	Serbia	100.00	Deloitte
.A.S.A. EKO Polska sp. z.o.o.	Poland	100.00	Deloitte
.A.S.A. EKO Znojmo s.r.o	Czech Republic	49.72	Deloitte
.A.S.A. Es Únanov s.r.o.	Czech Republic	66.00	

Company	Registered office	Effective percentage of ownership	Auditor
.A.S.A. Finanzdienstleistungen GmbH	Austria	100.00	
.A.S.A. Hódmezövásárhely Köztisztasági Kft	Hungary	61.83	Deloitte
.A.S.A. Hp Spol. s.r.o.	Czech Republic	100.00	Deloitte
.A.S.A. International Environmental Services GmbH	Austria	100.00	
.A.S.A. Kikinda d.o.o.	Serbia	80.00	Deloitte
.A.S.A. Liberec s.r.o.	Czech Republic	55.00	Deloitte
.A.S.A. Lubliniec sp. z.o.o.	Poland	61.97	
.A.S.A. Magyarország Környezetvédelemi És HKft	Hungary	100.00	Deloitte
.A.S.A. Mazedonia dooel	Macedonia	100.00	
.A.S.A. Odpady Litovel s.r.o.	Czech Republic	49.00	
.A.S.A. Servicii Ecologice s.r.l.	Romania	100.00	Deloitte
.A.S.A. Slovensko Spol. s.r.o.	Slovakia	100.00	Deloitte
.A.S.A. Sluzby Zabovresky s.r.o.	Czech Republic	89.00	
.A.S.A. Spol. s.r.o.	Czech Republic	100.00	Deloitte
.A.S.A. Tarnobrzeg sp. z.o.o.	Poland	60.00	
.A.S.A. TRNAVA spol. s.r.o.	Slovakia	50.00	Deloitte
.A.S.A. TS Prostejov s.r.o.	Czech Republic	49.00	Deloitte
.A.S.A. Vrbak d.o.o.	Serbia	51.02	
.A.S.A. Zabcice spol. s.r.o.	Czech Republic	80.00	
.A.S.A. Zohor spol. s.r.o.	Slovakia	85.00	
Bec Odpady s.r.o.	Czech Republic	100.00	Deloitte
Czysta Energia Gdansk sp z.o.o.	Poland	100.00	Deloitte
Ecoservice Lovetech	Bulgaria	90.00	
EKO-Radomsko sp. z.o.o.	Poland	100.00	
Entsorga Entsorgungs GmbH Nfg KG	Austria	100.00	
Erd-Kom Érdi Kommunális Hulladékkezelö	Hungary	90.00	Deloitte

Company	Registered office	Effective percentage of ownership	Auditor
Inerta Abfallbehandlungs GmbH	Austria	100.00	
Miejskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o. Zabrze	Poland	80.00	Deloitte
Obsed A.S..	Czech Republic	100.00	
Quail spol. s.r.o.	Czech Republic	100.00	
Regios A.S.	Czech Republic	99.99	Deloitte
RSUO Dobritch	Bulgaria	62.00	
Siewierskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	60.00	
Skládka Uhy spol. s.r.o.	Czech Republic	100.00	Deloitte
Technické Sluzby – A S A s.r.o.	Slovakia	100.00	Deloitte
Textil Verwertung GmbH	Austria	100.00	
Valmax Impex SRL	Romania	60.00	
FCC Environment Group:	United Kingdom		
3C Holding Limited	United Kingdom	100.00	
3C Waste Limited	United Kingdom	100.00	Deloitte
Allington O & M Services Limited	United Kingdom	100.00	Deloitte
Allington Waste Company Limited	United Kingdom	100.00	Deloitte
Anti-Waste (Restoration) Limited	United Kingdom	100.00	Deloitte
Anti-Waste Limited	United Kingdom	100.00	Deloitte
Arnold Waste Disposal Limited	United Kingdom	100.00	Deloitte
BDR Property Limited	United Kingdom	80.02	Deloitte
BDR Waste Disposal Limited	United Kingdom	100.00	Deloitte
Darrington Quarries Limited	United Kingdom	100.00	Deloitte
Derbyshire Waste Limited	United Kingdom	100.00	Deloitte
East Waste Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire Holdings Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire Limited	United Kingdom	100.00	Deloitte

Company	Registered office	Effective percentage of ownership	Auditor
FCC Buckinghamshire (Support Services) Limited	United Kingdom	100.00	Deloitte
FCC Environment (Berkshire) Ltd	United Kingdom	100.00	Deloitte
FCC Environment (Lincolnshire) Ltd	United Kingdom	100.00	Deloitte
FCC Environment (UK) Limited	United Kingdom	100.00	Deloitte
FCC Environment Limited	United Kingdom	100.00	
FCC Environmental Services UK Limited	United Kingdom	100.00	Deloitte
FCC PFI Holdings Limited	United Kingdom	100.00	Deloitte
FCC Recycling (UK) Limited	United Kingdom	100.00	Deloitte
FCC Waste Services (UK) Limited	United Kingdom	100.00	Deloitte
FCC Wrexham PFI (Phase II Holding) Ltd	United Kingdom	100.00	Deloitte
FCC Wrexham PFI (Phase II) Ltd	United Kingdom	100.00	Deloitte
FCC Wrexham PFI Limited	United Kingdom	100.00	Deloitte
FCC Wrexham PFI Holdings Limited	United Kingdom	100.00	Deloitte
Finstop Limited	United Kingdom	100.00	
Focsa Services (UK) Limited	United Kingdom	100.00	
Hykeham O&M Services Limited	United Kingdom	100.00	Deloitte
Integrated Waste Management Limited	United Kingdom	100.00	Deloitte
Kent Conservation & Management Limited	United Kingdom	100.00	
Kent Energy Limited	United Kingdom	100.00	Deloitte
Kent Enviropower Limited	United Kingdom	100.00	Deloitte
Landfill Management Limited	United Kingdom	100.00	Deloitte
Lincwaste Limited	United Kingdom	100.00	Deloitte
Norfolk Waste Limited	United Kingdom	100.00	Deloitte
Pennine Waste Management Limited	United Kingdom	100.00	Deloitte
RE3 Holding Limited	United Kingdom	100.00	Deloitte
RE3 Limited	United Kingdom	100.00	Deloitte
T Shooter Limited	United Kingdom	100.00	Deloitte
Waste Recovery Limited	United Kingdom	100.00	Deloitte

Company	Registered office	Effective percentage of ownership	Auditor
Waste Recycling Group (Central) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Scotland) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (UK) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Yorkshire) Limited	United Kingdom	100.00	Deloitte
Wastenotts (Reclamation) Limited	United Kingdom	100.00	Deloitte
Wastenotts O & M Services Limited	United Kingdom	100.00	Deloitte
Welbeck Waste Management Limited	United Kingdom	100.00	Deloitte
WRG (Midlands) Limited	United Kingdom	100.00	Deloitte
WRG (Northern) Limited	United Kingdom	100.00	Deloitte
WRG Acquisitions 2 Limited	United Kingdom	100.00	
WRG Environmental Limited	United Kingdom	100.00	Deloitte
WRG Waste Services Limited	United Kingdom	100.00	
Integraciones Ambientales de Cantabria, S.A.	Monte de Carceña Cr CA-924 Pk 3,280 – Castañeda (Cantabria)	90.00	Deloitte
International Services Inc., S.A. Sole-Shareholder Company	Av. Camino de Santiago, 40 - Madrid	100.00	
Jaime Franquesa, S.A.	P.I. Zona Franca Sector B calle D49 – 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, 6 – Cartagena (Murcia)	90.00	Deloitte
Limpiezas Urbanas de Mallorca, S.A.	Ctra. Santa Margalida-Can Picafort – Santa Margalida (Baleares)	100.00	Deloitte
Manipulación y Recuperación MAREPA, S.A.	Av. San Martín de Valdeiglesias, 22 – Alcorcón (Madrid)	100.00	Deloitte
Recuperació de Pedreres, S.L.	Rambla de Catalunya, 2 – Barcelona	80.00	Deloitte
Saneamiento y Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	
Serveis d'Escombreries i Neteja, S.A.	Coure, s/n – P.I. Riu Clar - Tarragona	100.00	
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A. (en Construcción) (Sercovira, S.A.)	Doctor Jiménez Rueda, 10 – Atarfe (Granada)	60.00	
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 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

Company	Registered office	Effective percentage of ownership	Auditor
Societat Municipal Medioambiental d'Igualada, S.L.	Pl. de l'Ajuntament, 1 – Igualada (Barcelona)	65.91	Centium
Telford & Wrekin Services, Ltd.	United Kingdom	100.00	Deloitte
Tratamientos y Recuperaciones Industriales, S.A.	Rambla de Catalunya, 2-4, P.5 – 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	
Valorización y Tratamiento de Residuos, S.A.	Alameda de Mazarredo, 15-4º A – Bilbao (Vizcaya)	100.00	
AQUALIA			
Abrantaqua – Serviço de Aguas Residuais Urbanas de Municipio de Abrantes, S.A.	Portugal	60.00	Oliveira & Reis
Acque di Caltanissetta, S.P.A.	Italy	98.48	Ernst & Young
Aguas de Alcázar Empresa Mixta, S.A.	Rondilla Cruz Verde, 1 – Alcázar de San Juan (Ciudad Real)	52.38	Centium
Aguas de las Galeras, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
Aigües de Vallirana, S.A., Sole-Shareholder Company	Conca de Tremp, 14 – Vallirana (Barcelona)	100.00	
Aisa, D.O.O. Mostar	Bosnia-Herzegovina	100.00	
Aqua Campiña, S.A.	Av Blas Infante, 6 – Écija (Sevilla)	90.00	Audinfor
Aquacartaya, S.L.	Av. San Francisco Javier, 27 2ª – Sevilla	100.00	Deloitte
Aquaelvas – Aguas de Elvas, S.A.	Portugal	100.00	Deloitte
Aquafundalia – Agua Do Fundäo, S.A.	Portugal	100.00	Deloitte
Aquajerez, S.L.	Cristalería, 24. Pol. Ind. Ronda Oeste – Jerez de la Frontera (Cádiz)	51.00	Ernst & Young
Aqualia Czech, S.L.	Av. Camino de Santiago, 40 – Madrid	51.00	Ernst & Young
Aqualia Industrial Solutions, S.A., Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	Deloitte
Aqualia Infraestructuras, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
Aqualia Infraestructuras Inzenyring, S.R.O.	Czech Republic	51.00	ABC Audit S.R.O.
Aqualia Infraestructuras de Mexico, S.A. de C.V.	Mexico	100.00	Deloitte
Aqualia Infraestructuras Montenegro (AIM) D.O.O. Niksic	Montenegro	100.00	
Aqualia New Europe B.V.	The Netherlands	51.00	Deloitte
Aqua Management Solutions B.V.	The Netherlands	30.60	Deloitte
Aquamaior – Aguas de Campo Maior, S.A.	Portugal	99.92	Deloitte
Cartagua, Aguas do Cartaxo, S.A.	Portugal	60.00	Oliveira & Reis
Colaboración, Gestión y Asistencia, S.A.	Federico Salmón, 13 – Madrid	100.00	

Company	Registered office	Effective percentage of ownership	Auditor
Compañía Onubense de Aguas, S.A.	Av. Martín Alonso Pinzón, 8 – Huelva	60.00	
Conservación y Sistemas, S.A.	Federico Salmón, 13– Madrid	100.00	Deloitte
Depurplan 11, S.A.	San Miguel, 4 3º B – Zaragoza	100.00	Audinfor
Depurtebo, S.A.	San Pedro, 57 – Zuera (Zaragoza)	100.00	
Empresa Gestora de Aguas Linenses, S.A.	Federico Salmón, 13 – Madrid	100.00	
Empresa Mixta de Conservación de La Estación Depuradora de Aguas Residuales de Butarque, S.A.	Princesa, 3 – Madrid	70.00	
Entenmanser, S.A.	Castillo, 13 – Adeje (Santa Cruz de Tenerife)	97.00	Deloitte
FCC Aqualia, S.A. (1)	Federico Salmón, 13– Madrid	100.00	Deloitte
FCC Aqualia América, S.A.U. (2)	Uruguay, 11 – Vigo (Pontevedra)	100.00	
F.S. Colaboración y Asistencia, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Hidrotec Tecnología del Agua, S.L., Sole-Shareholder Company	Av. Kansas City, 9 – Sevilla	100.00	Deloitte
Infraestructuras y Distribución General de Aguas, S.L.U.	La Presa, 14 – Adeje (Santa Cruz de Tenerife)	100.00	
Inversora Riutort	Berlín, 38-43 - Barcelona	100.00	
Ovod Spol S.R.O.	Czech Republic	100.00	ABC Audit S.R.O.
Severomoravské Vodovody a Kanalizace Ostrava A.S.	Czech Republic	50.32	Ernst & Young
Sociedad Española de Aguas Filtradas, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
Sociedad Ibérica del Agua, S.A., Sole-Shareholder Company	Av. Camino de Santiago, 40 – Madrid	100.00	
Tratamiento Industrial de Aguas, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
CONSTRUCTION			
ACE Scutmadeira Sistemas de Gestao e Controlo de Tràfego	Portugal	100.00	
Alpetrol, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Alpine Consulting d.o.o.	Slovenia	100.00	
Alpine – Energie Holding AG	Germany	100.00	
Áridos de Melo, S.L.	Finca la Barca y el Ballestar, s/n – Barajas de Melo (Cuenca)	100.00	
Autovía Conquense, S.A.	Acanto, 22 - Madrid	100.00	Deloitte
BBR Pretensados y Técnicas Especiales, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Binatec al Maghreb, S.A.	Morocco	100.00	
Concesionaria Túnel de Coatzacoalcos, S.A. de C.V.	Mexico	85.59	Deloitte

(1) Change of name. Formerly Aqualia Gestión Integral del Agua, S.A.
(2) Change of name. Formerly Abastecimientos y Saneamientos del Norte, S.A., Sole-Shareholder Company

Company	Registered office	Effective percentage of ownership	Auditor
Concesiones Viales de Costa Rica, S.A.	Costa Rica	100.00	
Concesiones Viales S. de R.L. de C.V.	Mexico	99.97	Deloitte
Construcción y Filiales Mexicanas, S.A. de C.V.	Mexico	100.00	Deloitte
Construcción Infraestructuras y Filiales de Mexico, S.A. de C.V.	Mexico	52.00	Deloitte
Construcciones Hospitalarias, S.A.	Panama	100.00	Deloitte
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
Desarrollo y Construcción DEYCO CRCA, S.A.	Costa Rica	100.00	
Dezvoltare Infraestructura, S.A.	Romania	51.03	
Dizara Inversión, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
EHST - European High-Speed Trains SGPS, S.A.	Portugal	85.71	Deloitte
FCC Colombia, S.A.S.	Colombia	100.00	
FCC Construcción, S.A.	Balmes, 36 – Barcelona	100.00	Deloitte
FCC Construcción de América, S.A. (3)	Costa Rica	100.00	Deloitte
FCC Construcción Chile, SPA	Chile	100.00	
FCC Construcción Peru, S.A.C.	Peru	100.00	Deloitte
FCC Construcción Polska SP Z.o.o.	Poland	100.00	
FCC Constructii Romania, S.A.	Romania	100.00	
FCC Construction Hungary Kft	Hungary	100.00	Deloitte
FCC Construction I-95 Llc.	USA	100.00	
FCC Construction Inc.	USA	100.00	Deloitte
FCC Construction International B.V.	The Netherlands	100.00	
FCC Construction Northern Ireland Limited	United Kingdom	100.00	
FCC Construçoes do Brazil, Ltda.	Brazil	100.00	
FCC Elliott UK Limited	United Kingdom	50.10	Deloitte
FCC Industrial Colombia S.A.S.	Colombia	100.00	
FCC Industrial de Panama, S.A.	Panama	100.00	Deloitte
FCC Industrial e Infraestructuras Energéticas, S.A., Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Industrial Peru, S.A.	Peru	100.00	

(3) Change of name. Formerly FCC Construcción de Centroamérica, S.A.

Company	Registered office	Effective percentage of ownership	Auditor
FCC Industrial UK Limited	United Kingdom	100.00	Deloitte
FCC Industriale SRL	Italy	100.00	
FCC Mersey Gateway Ltd.	United Kingdom	100.00	
FCC Mersey Gateway Investments Ltd.	United Kingdom	100.00	
FCC Servicios Industriales y Energéticos Mexico, S.A. de C.V.	Mexico	100.00	Deloitte
Fomento de Construcciones y Contratas Canada, Ltda.	Canada	100.00	
Fomento de Construcciones y Contratas Construction Ireland Limited	Ireland	100.00	Deloitte
Gavisa Portugal Montagens Eléctricas Lda.	Portugal	97.00	
GE – FCC CO, S.A.	Guinea Ecuatorial	65.00	
Ibervia Construcciones y Contratas, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Impulsora de Proyectos PROSERME, S.A. de C.V.	Mexico	100.00	
M&S Concesiones, S.A.	Costa Rica	100.00	
Mantenimiento de Infraestructuras, S.A.	Acanto, 22 - Madrid	100.00	Deloitte
Megaplás, S.A.	Hilanderas, 4-14 – La Poveda – Arganda del Rey (Madrid)	100.00	Deloitte
Megaplás Italy, S.P.A.	Italy	100.00	Collegio Sindicale
Motre, S.L.	Bonastruc de Porta, 20 – Girona	100.00	
Moviterra, S.A.	Bonastruc de Porta, 20 – Girona	100.00	Deloitte
Naturaleza, Urbanismo y Medio Ambiente, S.A.	Av. Camino de Santiago, 40 - Madrid	100.00	
Nevasa Inversión, S.L.	Av. Camino de Santiago, 40 - Madrid	100.00	
PPP Infraestructure Investments B.V.	The Netherlands	100.00	
Participaciones Teide, S.A.	Av. Camino de Santiago, 40 - Madrid	100.00	
Pedrera Les Gavarres, S.L.	Bonastruc de Porta, 20 – Girona	100.00	
Pinturas Jaque, S.L.	Acanto, 22 – Madrid	100.00	
Prefabricados Delta, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Proyectos y Servicios, S.A.	Acanto, 22 – Madrid	100.00	Deloitte
Ramalho Rosa Cobetar Sociedade de Construçoes, S.A.	Portugal	100.00	Deloitte
Serviá Cantó, S.A.	Bonastruc de Porta, 20 – Girona	100.00	Deloitte
Servicios Dos Reis, S.A. de C.V.	Mexico	100.00	Deloitte
Sincler, S.A., Sole-Shareholder Company	Av. Camino de Santiago, 40 – Madrid	100.00	

Company	Registered office	Effective percentage of ownership	Auditor
Tema Concesionaria, S.A.	Porto Pi, 8– Palma de Mallorca (Baleares)	100.00	
Tulsa Inversión, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Vela Borovica Koncern, D.O.O.	Croatia	95.00	
Vialia, Sociedad Gestora de Concesiones de Infraestructuras, S.L.	Acanto, 22 – Madrid	100.00	
CEMENT			
Áridos de Navarra, S.A.	Estella, 6 – Pamplona (Navarra)	52.20	
Canteras de Alaiz, S.A.	Dormilatería, 72 – Pamplona (Navarra)	55.37	Deloitte
Cementos Alfa, S.A.	Josefina de la Maza, 4 P.E. Piasca – Santander (Cantabria)	69.64	Deloitte
Cementos Portland Valderrivas, S.A.	Dormilatería, 72 – Pamplona (Navarra)	79.08	Deloitte
Coastal Cement Corporation	USA	79.08	
Dragon Alfa Cement Limited	United Kingdom	69.64	Deloitte
Dragon Energy Llc.	USA	79.08	
Dragon Products Company Inc.	USA	79.08	
Giant Cement Company	USA	79.08	
Giant Cement Holding, Inc.	USA	79.08	Deloitte
Giant Cement NC Inc.	USA	79.08	
Giant Cement Virgina Inc.	USA	79.08	
Giant Resource Recovery Inc.	USA	79.08	
Giant Resource Recovery – Arvonia Inc.	USA	79.08	
Giant Resource Recovery – Attalla Inc.	USA	79.08	
Giant Resource Recovery – Harleyville Inc.	USA	79.08	
Giant Resource Recovery – Sumter Inc.	USA	79.08	
Hormigones de la Jacetania, S.A.	Llano de la Victoria – Jaca (Huesca)	49.43	KPMG
Keystone Cement Company	USA	79.08	
Prebesec Mallorca, S.A.	Santa Margarida i els Monjos (Barcelona)	54.03	
Sechem Inc.	USA	79.08	
Select Beton, S.A.	Tunisia	69.46	Mourat Guellaty
Société des Ciments d'Enfidha	Tunisia	69.48	Mourat Guellaty - Deloitte
Tratamiento Escombros Almoguera, S.L.	José Abascal, 59 – Madrid	40.36	

Company	Registered office	Effective percentage of ownership	Auditor
Uniland Acquisition Corporation	USA	79.08	
Uniland International B.V.	The Netherlands	79.08	
Uniland Trading B.V.	The Netherlands	79.08	
ENERGY			
Enefi Energía, S.A., Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	
Eolica Calvent, S.L.	Balmes, 36 – Barcelona	80.04	
FCC Energía Aragón, S.L.	Manuel Lasala, 36 – Zaragoza	100.00	
FCC Energía Aragón II, S.L.	Manuel Lasala, 36 – Zaragoza	100.00	
FCC Energía USA, S.L., Sole-Shareholder Company	Federico Salmón, 13– Madrid	100.00	
FCC Power Generation, S.L.	Federico Salmón, 13 – Madrid	100.00	
Guzmán Energy O&M, S.L.	Federico Salmón, 13 – Madrid	70.00	
OTHER ACTIVITIES			
Asesoría Financiera y de Gestión, S.A.	Federico Salmón, 13 – Madrid	100.00	
Beta de Administración, S.A.	Camino de Santiago, 40 – Madrid	100.00	
Bvefdomintaena Beteiligungsverwaltung GmbH	Austria	100.00	
C.G.T. Corporación General de Transportes, S.A.	Camino de Santiago, 40 – Madrid	100.00	
Cemusa Amazonia, S.A.	Brazil	100.00	PricewaterhouseCoopers
Cemusa Boston, LLC	USA	100.00	PricewaterhouseCoopers
Cemusa Brazilia, S.A.	Brazil	100.00	PricewaterhouseCoopers
Cemusa Corporación Europea de Mobiliario Urbano, S.A.	Francisco Sancha, 24 – Madrid	100.00	
Cemusa do Brazil Ltda.	Brazil	100.00	PricewaterhouseCoopers
Cemusa Inc.	USA	100.00	
Cemusa Italy, S.R.L.	Italy	100.00	
Cemusa NY, LLC	USA	100.00	
Cemusa Portugal Companhia de Mobiliario Urbano e Publicidade, S.A.	Portugal	100.00	PricewaterhouseCoopers
Cemusa Rio, S.A.	Brazil	100.00	PricewaterhouseCoopers
Cemusa Salvador, S.A.	Brazil	65.00	PricewaterhouseCoopers
Compañía General de Servicios Empresariales, S.A., Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	
Corporación Española de Servicios, S.A.	Federico Salmón, 13 - Madrid	100.00	

Company	Registered office	Effective percentage of ownership	Auditor
Europea de Gestión, S.A., Sole-Shareholder Company	Federico Salmón, 13 - Madrid	100.00	
F-C y C, S.L., Sole-Shareholder Company	Federico Salmón, 13 - Madrid	100.00	
FCC 1, S.L., Sole-Shareholder Company	Federico Salmón, 13 - Madrid	100.00	
FCC Construcciones y Contratas Internacional, S.L., Sole-Shareholder Company	Federico Salmón, 13 - Madrid	100.00	
FCC Fomento de Obras y Construcciones, S.L., Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	
FCC Inmobiliaria Conycon, S.L., Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	
FCC Versia, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
Fedemes, S.L.	Federico Salmón, 13 – Madrid	100.00	
Geral I.S.V. Brazil Ltda.	Brazil	100.00	
Per Gestora Inmobiliaria, S.L.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Zona Verde – Promoçao e Marketing Limitada	Portugal	100.00	PricewaterhouseCoopers

APPENDIX II. COMPANIES CONTROLLED JOINTLY WITH NON-GROUP THIRD PARTIES (ACCOUNTED FOR USING THE EQUITY METHOD)

Company	Registered office	Carrying amount of the investment 2014	2013	Effective % of ownership	Auditor
ENVIRONMENTAL SERVICES					
Atlas Gestión Medioambiental, S.A.	Viriato, 47 – Barcelona	13,143	13,015	50.00	Deloitte
Beacon Waste Limited	United Kingdom	1,588	1,490	50.00	Deloitte
Ecoparc del Besós, S.A.	Rambla Cataluña, 91-93 – Barcelona	5,408	5,282	49.00	Castellà Auditors - Consultors S.L.P.
Ecoserveis Urbans de Figueres, S.L.	Av. de les Alegries, s/n – Lloret de Mar (Girona)	227	269	50.00	
Electrorecycling, S.A.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	1,351	1,350	33.33	KPMG
Empresa Mixta de Limpieza de la Villa de Torrox, S.A.	Plaza de la Constitución, 1 – Torrox (Málaga)	379	415	50.00	Audinfor
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A.	Av. Zorreras, 8 – Rincón de la Victoria (Málaga)	327	423	50.00	Audinfor
Fisersa Ecoserveis, S.A.	Alemanya, 5 – Figueres (Girona)	189	247	36.36	Auditoria i Control Auditors SLP
FTS 2010 Societa Consortile a Resp. Lim	Italy	-	1	60.00	
Gestión y Valorización Integral del Centro, S.L.	De la Tecnología, 2. P.I. Los Olivos – Getafe (Madrid)	219	76	50.00	
Hades Soluciones Medioambientales, S.L.	Mayor, 3 – Cartagena (Murcia)	60	60	50.00	
Ingenieria Urbana, S.A.	Calle l esquina calle 3, P.I. Pla de la Vallonga – Alicante	4,592	4,622	35.00	Deloitte
Mediaciones Comerciales Ambientales, S.L.	Av. Roma, 25 – Barcelona	157	183	50.00	
Mercia Waste Management, Ltd.	United Kingdom	10,921	9,556	50.00	Deloitte
Palacio de Exposiciones y Congresos de Granada	Ps. Del Violón, s/n – Granada	(611)	(319)	50.00	Hispano Belga Economistas & Auditores SLP
Pilagest, S.L.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	206	209	50.00	
Reciclado de Componentes Electrónicos, S.A.	E Pol. Actividades Medioambientales – Aznalcóllar (Sevilla)	2,487	2,578	37.50	KPMG
Senblen, S.A.	Alameda de Urquijo, 10 – Bilbao (Vizcaya)	(90)	(90)	50.00	
Servicios de Limpieza Integral de Málaga III, S.A.	Camino Térmica, 83 – Málaga	1,563	1,563	26.01	PricewaterhouseCoopers
Servicios Urbanos de Málaga, S.A.	Ulises, 18 – Madrid	368	665	51.00	
Severn Waste Services Limited	United Kingdom	203	206	50.00	Deloitte
Tratamiento Industrial de Residuos Sólidos, S.A.	Rambla Cataluña, 91 – Barcelona	430	108	33.33	Castellà Auditors Consultors
Zabalgarbi, S.A.	Camino de Artigas, 10 – Bilbao (Vizcaya)	11,414	12,902	30.00	KPMG

Company	Registered office	Carrying amount of the investment 2014	2013	Effective % of ownership	Auditor
AQUALIA					
Aguas de Langreo, S.L.	Alonso del Riesgo, 3 – Sama de Langreo (Asturias)	829	749	49.00	Audinfor
Aguas de Narixa, S.A.	Málaga, 11 – Nerja (Málaga)	252	345	50.00	Audinfor
Aigües de Girona, Salt i Sarrià del Ter, S.A.	Ciutadans, 11 – Girona	195	215	26.89	Cataudit Auditors Associats, S.L.
A.I.E. Itam Delta de la Tordera	Berlín, 38-48 – Barcelona	(2)	-	50.10	
Compañía de Servicios Medioambientales do Atlántico, S.A.	Ctra. De Cedeira Km. 1 – Narón (La Coruña)	322	308	49.00	Audinfor
Constructora de Infraestructura de Agua de Queretaro, S.A. de C.V.	Mexico	(929)	(719)	24.50	Deloitte
Empresa Municipal de Aguas de Benalmádena EMABESA, S.A.	Av. Juan Luis Peralta, s/n – Benalmádena (Málaga)	1,797	1,981	50.00	Audinfor
Girona, S.A.	Travessera del Carril, 2 – Girona	1,688	1,621	33.61	Cataudit Auditors Associats, S.L.
HA Proyectos Especiales Hidráulicos S de R.L. de C.V. (4)	Mexico	283	327	50.00	Grant Thornton
Orasqualia Construction, S.A.E.	Egypt	(180)	1,294	50.00	KPMG
Orasqualia for the Development of the Waste Water Treatment Plant S.A.E.	Egypt	20,149	16,813	50.01	Deloitte
Orasqualia Operation and Maintenance S.A.E.	Egypt	844	486	50.00	KPMG
CONSTRUCTION					
Administración y Servicios Grupo Zapotillo, S.A. de C.V.	Mexico	73	44	50.00	Salles Sainz - Grant Thornton
Ctra. Cabo San Lucas San José, S.A. de C.V.	Mexico	(1,687)	(402)	50.00	Deloitte
Constructores del Zapotillo, S.A. de C.V.	Mexico	1,143	1,575	50.00	Salles Sainz - Grant Thornton
Construcciones Olabarri, S.L.	Ripa, 1 – Bilbao (Vizcaya)	4,536	4,941	49.00	Charman Auditores, S.A.
Constructora de Infraestructura de Agua de Queretaro, S.A. de C.V.	Mexico	(908)	(719)	24.50	Deloitte
Constructora Durango-Mazatlan, S.A. de C.V.	Mexico	1,328	608	51.00	Deloitte
Constructora Nuevo Necaxa Tihuatlan, S.A. de C.V.	Mexico	(43,164)	910	40.00	Deloitte
Dragados FCC, Canada Inc.	Canada	(761)	(483)	50.00	
Elaboración de Cajones Pretensados, S.L.	Av. General Perón, 36 – Madrid	2	2	50.00	
FCC Elliott Construction Limited	Ireland	(3,443)	(2,115)	50.00	Deloitte
Ibisan Sociedad Concesionaria, S.A.	Porto Pi, 8 – Palma de Mallorca (Baleares)	7,502	8,466	50.00	Deloitte
Integral Management Future Renewables, S.L.	A Condomiña, s/n – Ortoño (La Coruña)	2,148	1,927	50.00	Deloitte

(4) Change of name. Formerly PB El Caracol S. de R.L. de C.V.

Company	Registered office	Carrying amount of the investment 2014	2013	Effective % of ownership	Auditor
Marina de Laredo, S.A.	Pasaje de Puntida, 1 – Santander (Cantabria)	(732)	(161)	50.00	
MDM-Teide, S.A.	Panama	1,186	1,044	50.00	
North Tunnels Canada Inc.	Canada	(17,924)	(19,064)	50.00	
OHL Co Canada& FCC Canada Ltd	Canada	(58,495)	-	50.00	
Operaciones y Servicios para la Industria de la Construcción, S.A. de C.V.	Mexico	(28)	(66)	50.00	Deloitte
Peri 3 Gestión, S.L.	General Álava, 26 – Vitoria Gasteiz (Álava)	2	2	50.00	
Proyecto Front Marítim, S.A.	Paseo de Gracia, 120 – Barcelona	(7,907)	(7,383)	50.00	
Servicios Empresariales Durango-Mazatlan, S.A. de C.V.	Mexico	160	171	51.00	Deloitte
Sociedad Concesionaria Tranvía de Murcia, S.A.	Olof Palmer, s/n – Murcia	18,631	18,415	50.00	Deloitte
Teide-MDM Quadrat, S.A.	Panama	202	178	50.00	
Western Carpathians Motorway Investors Company GmbH	Austria	10	10	40.00	
Zílinská Dialnica s.r.o.	Slovakia	(172)	(172)	40.00	
CEMENT					
Carbocem, S.A.	Paseo de la Castellana, 45 – Madrid	73	73	55.10	Deloitte
Corporación Uniland, S.A.	Córcega, 299 – Barcelona	-	(7)	79.08	Deloitte
Pedrera de l'Ordal, S.L.	Ctra. N 340 km. 1229,5 La Creu del L'Ordal – Subirats (Barcelona)	3,704	3,777	39.46	Busquet
ENERGY					
Sigenera, S.L.	Av. de Linares Rivas, 1 – La Coruña	396	398	50.00	Deloitte
Subgrupo FM Green Power Investments	Federico Salmón, 13 – Madrid	7,278	-	49.00	Deloitte
OTHER ACTIVITIES					
Corporación Jerezana de Transportes Urbanos, S.A. Sole-Shareholder Company	P.I. Portal Jérez de la Frontera (Cádiz)	-	2,116	50.00	
Detren Compañía General de Servicios Ferroviarios, S.L.	Av. Camino de Santiago, 40 – Madrid	-	3,912	50.00	KPMG
FCC Connex Corporación, S.L.	Av. Camino de Santiago, 40 – Madrid	-	12,464	50.00	
TOTAL VALUE OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD (JOINT VENTURES)		(7,071)	108,692		

APPENDIX III. ASSOCIATES (ACCOUNTED FOR USING THE EQUITY METHOD)

Company	Registered office	Carrying amount of the investment 2014	2013	Effective % of ownership	Auditor
ENVIRONMENTAL SERVICES					
Aprochim Getesarp Rymoil, S.A.	P.I. Logrenzana La Granda – Carreño (Asturias)	792	870	23.49	Mendez Auditores, S.L.
Aragonesa de Gestión de Residuos, S.A.	Paseo María Agustín, 36 – Zaragoza	25	25	12.00	PricewaterhouseCoopers y Vilalba, Embid y Cia. Auditores, S.L.P.
Aragonesa de Tratamientos Medioambientales XXI, S.A.	Ctra. Castellón Km. 58 – Zaragoza	621	631	33.00	
Betearte, S.A.U.	Cr. BI – 3342 pk 38 Alto de Areitio - Mallabia (Vizcaya)	809	969	33.33	Attest
Clavegueram de Barcelona, S.A.	Acer, 16 – Barcelona	-	917	20.33	Bove Montero y Asociados
Gestión Integral de Residuos Sólidos, S.A.	Profesor Beltrán Báguena, 4 – Valencia	5,678	2,964	49.00	Fides Auditores, S.L.
.A.S.A. Group:		5,976	5,818		
.A.R.K. Technicke Sluby	Slovakia	-	-	50.00	Deloitte
.A.S.A. + NHSZ Környezetvédelmi H Kft (5)	Hungary	-	-	50.00	PricewaterhouseCoopers
.A.S.A. Hlohovec s.r.o.	Slovakia	-	-	50.00	
A.K.S.D. Városgazdálkodási Korlátolt FT	Hungary	-	-	25.50	PricewaterhouseCoopers
ASTV s.r.o.	Czech Republic	-	-	49.00	
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	
Recopap s.r.o.	Slovakia	-	-	50.00	Deloitte
Technické a Stavební Sluzby AS	Czech Republic	-	-	50.00	
Tirme Group		13,015	11,663		
Balear de Trituracions, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Baleares)	-	-	10.40	
MAC Insular, S.L.	Camí Son Reus. Ctra. De Soller Km. 8,2 – Bunyola (Baleares)	-	-	16.00	KPMG
MAC Insular Segunda, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Baleares)	-	-	20.00	
Tirme, S.A.	Ctra. Soller Km. 8,2 Camino de Son Reus – Palma de Mallorca (Baleares)	-	-	20.00	KPMG
Pallars Jussà Neteja i Serveis, S.A.	Pau Casals, 14 – Tremp (Lleida)	26	40	40.80	
Sogecar, S.A.	Polígono Torrelarragoiti – Zamudio (Vizcaya)	362	350	30.00	

(5) Change of name. Formerly .A.S.A. + AVE Környezetvédelmi H Kft

Company	Registered office	Carrying amount of the investment 2014	2013	Effective % of ownership	Auditor
AQUALIA					
Aguas de Archidona, S.L.	Pz. Ochavada, 1 – Archidona (Málaga)	59	78	48.00	Centium
Aguas de Denia, S.A.	Pare Pere, 17 – Denia (Alicante)	403	403	33.00	
Aguas de Priego, S.L.	Pz. de la Constitución, 3 – Priego de Córdoba (Córdoba)	(5)	(31)	49.00	Audinfor
Aguas de Ubrique, S.A.	Av. Spain, 9 – Ubrique (Cádiz)	(12)	(99)	49.00	
Aguas del Puerto Empresa Municipal, S.A.	Aurora, 1 – El Puerto de Santa María (Cádiz)	3,930	-	48.98	Deloitte
Aigües de Blanes, S.A.	Canigó, 5 – Blanes (Girona)	55	36	16.47	CD Auditors i Consulting, S.L.
Aigües del Tomoví, S.A.	Pz. Vella, 1 – El Vendrell (Tarragona)	642	356	49.00	GM Auditors, S.L.
Aqualia Mace Operation & General Maintenance LLC	United Arab Emirates	2,062	1,077	51.00	Deloitte
Aquos El Realito, S.A. de C.V.	Mexico	4,745	4,379	49.00	Deloitte
Augas Municipais de Arteixo, S.A.	Pz. Alcalde Ramón Dopico – Arteixo (La Coruña)	62	7	51.00	
Concesionaria de Desalación de Ibiza, S.A.	Rotonda de Santa Eulalia, s/n – Ibiza (Baleares)	1,072	1,430	50.00	BDO Auditores, S.L.
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	Mexico	(1,040)	(1,045)	24.50	Deloitte
EMANAGUA Empresa Mixta Municipal de Aguas de Nijar, S.A.	Pz. de la Goleta, 1 – Nijar (Almería)	220	218	49.00	Centium
Empresa Mixta de Aguas de Ubrique, S.A.	Juzgado s/n (Ed. Serv. Múltiples PL4) –Ubrique (Cádiz)	110	-	49.00	Deloitte
Empresa Municipal de Aguas de Algeciras, S.A.	Av. Virgen del Carmen – Algeciras (Cádiz)	229	86	49.00	Abante Unicontrol Auditores, SLP
Empresa Municipal de Aguas de Jodar, S.A.	Pz. Spain, 1 – Jodar (Jaén)	(32)	(9)	49.00	Centium
Empresa Municipal de Aguas de Linares, S.A.	Cid Campeador, 7 – Linares (Jaén)	(131)	(123)	49.00	Centium
Empresa Municipal de Aguas de Toxiria, S.A.	Cristobal Colón, 104 – Torredonjimeno (Jaén)	84	63	49.00	Centium
Generavila, S.A.	Pz. de la Catedral, 11 – Ávila	71	74	36.00	
Nueva Sociedad de Aguas de Ibiza, S.A.	Av. Bartolomé de Roselló, 18 – Ibiza (Baleares)	85	66	40.00	
Prestadora de Servicios Acueducto El Realito, S.A.de C.V.	Mexico	1	1	24.50	
Proveïments d'Aigua, S.A.	Asturies, 13 – Girona	331	315	15.12	Antoni Riera Economistes Auditors
Sera Q A Duitama E.S.P., S.A.	Colombia	24	28	30.60	
Shariket Miyeh Ras Djinet, S.P.A.	Algeria	11,063	9,872	25.50	Mustapha Heddad
Shariket Tahlya Miyah Mostaganem, S.P.A.	Algeria	28,482	24,841	25.50	Mustapha Heddad
Suministro de Agua de Queretaro, S.A. de C.V.	Mexico	11,126	10,768	26.00	Deloitte

Company	Registered office	Carrying amount of the investment 2014	Carrying amount of the investment 2013	Effective % of ownership	Auditor
CONSTRUCTION					
Aigües del Segarra Garrigues, S.A.	Av. de Tarragona, 6 – Tárrega (Lleida)	6,242	5,529	24.00	Deloitte
Auto-Estradas XXI – Subconcessionaria Transmontana, S.A.	Portugal	-	1,640	26.52	Deloitte
Autopistas del Valle, S.A.	Costa Rica	1,186	1,044	48.00	
Baross Ter Ingatlanprojekt-Fejleszto Kft	Hungary	405	430	20.00	
BBR VT International Ltd.	Switzerland	1,484	1,588	22.50	Trewitax Zürich AG
Cleon, S.A.	Av. General Perón, 36 – Madrid	24,722	24,733	25.00	KPMG
Concesionaria Atención Primaria, S.A.	Plaza Es Fortí, 4 – Palma de Mallorca (Baleares)	2,343	1,939	33.00	Deloitte
Concessió Estacions Aeroport L9, S.A.	Av. Carrilet, 3 Edificio D – L'Hospitalet de Llobregat (Barcelona)	(36,088)	9,222	49.00	Deloitte
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	Mexico	(1,038)	(1,045)	24.50	Deloitte
Constructora San José – Caldera CSJC, S.A.	Costa Rica	6,388	136	50.00	Deloitte
Constructora San José-San Ramón SJSR, S.A.	Costa Rica	98	1,768	50.00	
Costa Verde Habitat, S.L.	Orense, 11 – Madrid	4,334	4,468	50.00	
Desarrollo Cuajimalpa, S.A. de C.V.	Mexico	2,051	1,807	25.00	
Design Build and Operation, S.L.	Av. Eduardo Dato, 69 - Sevilla	8	7	40.00	
EFI Túneles Necaxa, S.A. de C.V.	Mexico	133	229	45.00	
FCC Tarrio TX-1 Construçoes Ltda.	Brazil	394	(1,412)	70.00	Deloitte
Cedinsa Concesionaria Group		40,399	32,281		
Cedinsa Concesionaria, S.A.	Tarragona, 141 – Barcelona	-	-	34.00	Deloitte
Cedinsa Conservació, S.L. Sole-Shareholder Company	Tarragona, 141 – Barcelona	-	-	34.00	
Cedinsa D'Aro Concesionaria de la Generalitat de Catalunya, S.A. Sole-Shareholder Company	Tarragona, 141 – Barcelona	-	-	34.00	Deloitte
Cedinsa Eix del Llobregat Concesionaria de la Generalitat de Catalunya, S.A. Sole-Shareholder Company , S.A.	Tarragona, 141 – Barcelona	-	-	34.00	Deloitte
Cedinsa Eix Transversal Concesionaira de la Generalitat de Catalunya, S.A. Sole-Shareholder Company , S.A.	Tarragona, 141 – Barcelona	-	-	34.00	Deloitte
Cedinsa Ter Concesionaria de la Generalitat de Catalunya, S.A. Sole-Shareholder Company, S.A.	Tarragona, 141 – Barcelona	-	-	34.00	Deloitte

Company	Registered office	Carrying amount of the investment 2014	2013	Effective % of ownership	Auditor
Fomento de Construccions i Consulting Group	Andorra	12	12	33.30	
MWG Wohnbau GmbH Group	Austria	1,290	1,290	50.00	
Las Palmeras de Garrucha, S.L. in liquidation	Mayor, 19 – Garrucha (Almería)	997	999	20.00	
M50 (D&C) Limited	Ireland	(3,259)	(3,260)	42.50	Deloitte
Metro de Lima Línea 2, S.A.	Peru	8,347	-	18.25	Ernst & Young
Metro de Málaga, S.A.	Camino de Santa Inés, s/n – Málaga	13,672	13,672	10.01	KPMG
N6 (Construction) Limited	Ireland	(38,517)	(38,733)	42.50	Deloitte
Nova Bocana Business, S.A.	Av. Josep Tarradellas, 123 – Barcelona	-	3,552	25.00	Deloitte
Omszki-To Part Kft	Hungary	(35)	(37)	20.00	
Port Premiá, S.A. – en liquidación -	Balmes, 36 – Barcelona	(555)	(555)	39.72	
Prestadora de Servicios Acueducto El Realito, S.A. de C.V.	Mexico	1	1	24.50	
Promvias XXI, S.A.	Vía Augusta, 255 Local 4 – Barcelona	1	(613)	25.00	
Sensefields, S.L.	Gran Vía de les Corts Catalanes, 674 – Barcelona	30	-	17.34	
Teide Gestión del Sur, S.L.	Av. Camino de Santiago, 40 – Madrid	(1,475)	2,383	49.94	
Terminal Polivalente de Huelva, S.A.	La Marina, 29 – Huelva	(263)	(263)	31.50	
Torres Porta Fira, S.A.	Pz. Europa, 31 5ª – L'Hospitalet de Llobregat (Barcelona)	-	23	40.00	
Urbs Iudex et Causidicus, S.A.	Av. Carrilet, 3 – L'Hospitalet de Llobregat (Barcelona)	(15,578)	(10,692)	29.00	Deloitte
Urbs Iustitia Commodo Opera, S.A.	Av. Carrilet, 3 – L'Hospitalet de Llobregat (Barcelona)	459	471	35.00	
CEMENT					
Aplicaciones Minerales, S.A.	Camino Fuente Herrero – Cueva Cardiel (Burgos)	354	348	27.34	
Canteras y Hormigones VRE, S.A.	Arieta, 13 – Estella (Navarra)	436	532	39.54	KPMG
Hormigones Calahorra, S.A.	Brebicio, 25 – Calahorra (La Rioja)	(428)	(362)	39.54	
Hormigones Castro, S.A.	Ctra. Irún-La Coruña Km. 153 – Islares – (Cantabria)	315	332	27.85	
Hormigones del Baztán, S.L.	Estella, 6 – Pamplona (Navarra)	559	861	39.54	
Hormigones Delfín, S.A.	Venta Blanca – Peralta (Navarra)	450	485	39.54	
Hormigones en Masa de Valtierra, S.A.	Ctra. Cadreita Km. 0 – Valtierra (Navarra)	1,555	1,424	39.54	

Company	Registered office	Carrying amount of the investment 2014	2013	Effective % of ownership	Auditor
Hormigones Galizano, S.A.	Ctra. Irún – La Coruña Km. 184 – Gama (Cantabria)	167	173	34.82	
Hormigones Reinares, S.A.	Praje Murillo de Calahorra, s/n – Calahorra (La Rioja)	520	476	39.54	
Hormigones y Áridos del Pirineo Aragonés, S.A.	Ctra. Biescas – Sabiñanigo (Huesca)	5,760	5,986	39.54	
Lázaro Echevarría, S.A.	Isidoro Melero – Alsasua (Navarra)	9,773	9,581	22.15	KPMG
Navarra de Transportes, S.A.	Ctra. Pamplona-Vitoria Km. 52 – Olazagutia (Navarra)	1,111	1,075	26.36	KPMG
Novhorvi, S.A.	Portal de Gamarra, 25 – Vitoria Casteiz (Alava)	161	211	19.77	KPMG
Portcemen, S.A.	Muelle Contradique Sur-Puerto Barcelona – Barcelona	1,140	1,052	26.30	
Silos y Morteros, S.L.	Ctra. De Pamplona Km.1 – Logroño (La Rioja)	12	62	26.36	
Terminal Cimentier de Gabes-Gie	Tunisia	88	88	23.16	Ernst & Young
Vescem-LID, S.L.	Valencia, 245 – Barcelona	46	57	19.73	
OTHER ACTIVITIES					
Grupo Realia Business	Paseo de la Castellana, 216 – Madrid	54,437	-	39.96	Deloitte
TOTAL VALUE OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES)		131,594	151,763		

APPENDIX IV. CHANGES IN THE SCOPE OF CONSOLIDATION

ADDITIONS	Registered office
Fully consolidated companies	
AGUAS DE ALCÁZAR EMPRESA MIXTA, S.A.	Rondilla Cruz Verde, 1 – Alcázar de San Juan (Ciudad Real)
AGUAS DE LAS GALERAS, S.L.	Av. Camino de Santiago, 40 – Madrid
ALPINE – ENERGIE HOLDING AG (GERMANY)	Germany
CZYSTA ENERGIA GDANSK SP Z.O.O	Poland
ECOSERVICE LOVETECH	Bulgaria
EMPRESA GESTORA DE AGUAS LINENSES, S.A.	Federico Salmón, 13 – Madrid
FCC ENVIRONMENTAL SERVICES (USA) LLC	USA
FCC EQUAL CEE, S.L.	Federico Salmón, 13– Madrid
FCC MERSEY GATEWAY LTD.	United Kingdom
FCC MERSEY GATEWAY INVESTMENTS LTD.	United Kingdom
GE – FCC CO, S.A.	Guinea Ecuatorial
GOLRIB, SOLUÇOES DE VALORIZAÇAO DE RESIDUOS, LDA.	Portugal
MERSEYLINK LTD	United Kingdom
RSUO DOBRITCH	Bulgaria
SERVICIO DE RECOGIDA Y GESTIÓN DE RESIDUOS SÓLIDOS URBANOS DEL CONSORCIO VEGA SIERRA ELVIRA, S.A. (UNDER CONSTRUCTION) (SERCOVIRA, S.A.)	Doctor Jiménez Rueda, 10 – Atarfe (Granada)
ASSOCIATES	
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	Aurora, 1 – Puerto de Santa María (Cádiz)
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	Juzgado s/n (Ed. Serv. Múltiples Pl 4) – Ubrique (Cádiz)
METRO DE LIMA LINEA 2, S.A.	Peru
SENSEFIELDS, S.L.	Gran Vía de les Corts Catalanes, 674 – Barcelona

REMOVALS	Registered office
Fully consolidated companies	
.A.S.A. OLSAVA SPOL S.R.O. (1)	Slovakia
ÁRIDOS UNILAND, S.A. SOLE-SHAREHOLDER COMPANY (2)	Córcega, 299 – Barcelona
ÁRIDOS Y PREMEZCLADOS, S.A. SOLE-SHAREHOLDER COMPANY (3)	José Abascal, 59 – Madrid
ATRACEM, S.A. SOLE-SHAREHOLDER COMPANY (4)	José Abascal, 59 – Madrid
BALTECMA GESTIÓN DE RESIDUOS INDUSTRIALES, S.L. (5)	Conradors parcela 34 P.I. Marratxi – Marratxi (Baleares)
CAMUSA CORPORACION AMERICANA DE MOBILIARIO URBANO, S.A. (6)	Argentina
CEMENTOS VILLAVERDE, S.L. SOLE-SHAREHOLDER COMPANY (4)	Almagro, 26 – Madrid
COMPAÑÍA AUXILIAR DE BOMBEO DE HORMIGÓN, S.A. SOLE-SHAREHOLDER COMPANY (4)	José Abascal, 29 – Madrid
EMPRESA MUNICIPAL DE DESARROLLO SOSTENIBLE AMBIENTAL DE ÚBEDA, S.L. (7)	Plaza Vázquez de Molina, s/n – Úbeda (Jaén)
FCC ENVIRONMENTAL LLC (6)	USA
FCC LOGISTICA, S.A. SOLE-SHAREHOLDER COMPANY (6)	Buenos Aires, 10 P.I. Camporroso – Alcalá de Henares (Madrid)
FCC LOGISTICA PORTUGAL, S.A. (6)	Portugal
HORMIGONES REINOSA, S.A. SOLE-SHAREHOLDER COMPANY (8)	Josefina de la Maza, 4 P.E. Piasca– Santander (Cantabria)
FCC LUBRICANTS LLC (6)	USA
HORMIGONES UNILAND, S.L. SOLE-SHAREHOLDER COMPANY (2)	Córcega, 299 – Barcelona
HORMIGONES Y MORTEROS PREPARADOS, S.A. SOLE-SHAREHOLDER COMPANY (4)	José Abascal, 59 – Madrid
HORMINAL, S.A. SOLE-SHAREHOLDER COMPANY (4)	José Abascal, 59 – Madrid
INTERNATIONAL PETROLEUM OF DELAWARE (6)	USA
MORTEROS VALDERRIVAS, S.A.SOLE-SHAREHOLDER COMPANY (3)	José Abascal, 59 – Madrid

REMOVALS	Registered office
MUNICIPALS DE SERVEIS, S.A. (7)	Joan Torró i Cabratosa, 7 – Girona
NEWLOG LOGÍSTICA, S.A. SOLE-SHAREHOLDER COMPANY (7)	Federico Salmón, 13 – Madrid
PARTICIPACIONES ESTELLA 6, S.L.SHAREHOLDER COMPANY (4)	Estella, 6 – Pamplona (Navarra)
PORTLAND, S.L. SOLE-SHAREHOLDER COMPANY (4)	José Abascal, 59 – Madrid
PREBESEC, S.A. SOLE-SHAREHOLDER COMPANY (2)	Córcega, 299 – Barcelona
UNILAND CEMENTERA, S.A. (3)	Córcega, 299 – Barcelona
Companies accounted for using the equity method	
JOINT VENTURES	
A.I.E. PROYECTO FÉNIX (9)	General Perón, 26 – Madrid
CORPORACION JEREZANA DE TRANSPORTES URBANOS, S.A. SOLE-SHAREHOLDER COMPANY (7)	P.I. Portal – Jérez de la Frontera (Cádiz)
CONVERTY SERVICE, S.A. (6)	Camino de los Afligidos P.I. La Esgaravita, I – Alcalá de Henares (Madrid)
CORPORACION UNILAND, S.A. (4)	Córcega, 22 – Barcelona
DETREN COMPAÑIA GENERAL DE SERVICIOS FERROVIARIOS, S.L. (6)	Av. Camino de Santiago, 40 – Madrid
FCC – CONNEX CORPORACIÓN, S.L. (6)	Av. Camino de Santiago, 40 – Madrid
FTS 2010 SOCIETA CONSORTILE A RESPONSABILITA LIMITATA (7)	Italy
PROACTIVA GROUP (6)	
AESA ASEO Y ECOLOGÍA, S.A.	Argentina
AESA MISIONES, S.A.	Argentina
AGENCIA COMPAGNIE GENERALE DES EAUX CHILE LTDA	Chile
AGUAS DEL VALLE, S.A.	Argentina
ASEO DE CANDELARIA, S.A. E.S.P.	Colombia
ASEO DEL CERRITO, S.A. E.S.P.	Colombia
ASEO PRADERA, S.A. E.S.P.	Colombia

REMOVALS	Registered office
ASEO YUMBO, S.A. E.S.P.	Colombia
BUGUEÑA DE ASEO, S.A. E.S.P.	Colombia
COMPAÑÍA DE LIMPIEZA Y EMBELLECIMIENTO C POR A	Dominican Republic
COMPAÑÍA GENERAL DE SERVICIOS URBANOS, S.A. DE C.V.	Mexico
CONCESIONARIA TIBITOC, S.A. E.S.P.	Colombia
CONSTRUCCIONES Y SERVICIOS JOFELU, C.A.	Venezuela
COTECNICA CARACAS, C.A.	Venezuela
COTECNIA CHACAO, C.A.	Venezuela
COTECNICA LA BONANZA, C.A.	Venezuela
DELTACOM, S.A.	Argentina
DELTALIQ, S.A.	Argentina
DERCLASE, S.A.	Uruguay
DOMINICANA SANITARY SERVICES B.V.	Dominican Republic
FCC SERVICIOS SANTO DOMINGO, S.A.	Dominican Republic
FOSPUCA BARUTA, C.A.	Venezuela
FOSPUCA CARRIZAL, C.A.	Venezuela
FOSPUCA GUAICAIPURO, C.A.	Venezuela
FOSPUCA LIBERTADOR, C.A.	Venezuela
FOSPUCA NUEVA ESPARTA, C.A.	Venezuela
FOSPUCA SERVICIOS, C.A.	Venezuela
FOSPUCA ZAMORA, C.A.	Venezuela
FOSPUCA, C.A.	Venezuela
GESTION AMBIENTAL PETROLERA, S.A.	Argentina
INTERNATIONAL WATER SERVICES (GUAYAQUIL) INTERAGUA C. LTDA.	Ecuador
INVERSIONES COTÉCNICA, C.A.	Venezuela
LAMCEF, S.A.	Argentina

REMOVALS	Registered office
OP ECOLOGÍA S.A.P.I. DE C.V.	Mexico
PALMIRANA DE ASEO, S.A. E.S.P.	Colombia
PROACTIVA AGUAS DE MONTERÍA, S.A. E.S.P.	Colombia
PROACTIVA AGUAS DEL ARCHIPIÉLAGO, S.A. E.S.P.	Colombia
PROACTIVA AVELLANEDA, S.A.	Argentina
PROACTIVA DOÑA JUANA, S.A. E.S.P.	Colombia
PROACTIVA LIBERTADOR, C.A.	Venezuela
PROACTIVA MEDIO AMBIENTE CAASA, S.A. DE C.V.	Mexico
PROACTIVA MEDIO AMBIENTE CHILE, S.A.	Chile
PROACTIVA MEDIO AMBIENTE DIVAG, S.A. DE C.V.	Mexico
PROACTIVA MEDIO AMBIENTE ESETASA, S.A. DE C.V.	Mexico
PROACTIVA MEDIO AMBIENTE GCIMA, S.A. DE C.V.	Mexico
PROACTIVA MEDIO AMBIENTE Mexico, S.A. DE C.V.	Mexico
PROACTIVA MEDIO AMBIENTE MMA, S.A. DE C.V.	Mexico
PROACTIVA MEDIO AMBIENTE PROYECTOS Y SERVICIOS ESPECIALIZADOS, S.A. DE C.V.	Mexico
PROACTIVA MEDIO AMBIENTE SAPSA, S.A. DE C.V.	Mexico
PROACTIVA MEDIO AMBIENTE VENEZUELA, C.A.	Venezuela
PROACTIVA MEDIO AMBIENTE, S.A.	Cardenal Marcelo Espínola, 8 – Madrid
PROACTIVA MEIO AMBIENTE Brazil LTDA.	Brazil
PROACTIVA ORIENTE, S.A. E.S.P.	Colombia
PROACTIVA TUXTLA, S.A. DE C.V.	Mexico
PROACTIVA AGUAS DE TUNJA, S.A. E.S.P.	Colombia
PROACTIVA CHICAMOCHA, S.A. DE C.V.	Colombia
PROACTIVA COLOMBIA, S.A.	Colombia
PROACTIVA DE SERVICIOS INTEGRALES, S.A. E.S.P.	Colombia
PROACTIVA DE SERVICIOS, S.A. E.S.P.	Colombia
PROACTIVA MEDIO AMBIENTE Peru	Peru
PROACTIVA MEDIO AMBIENTE PUERTO VALLARTA, S.A. DE C.V.	Mexico

REMOVALS	Registered office
PROACTIVA SERVICIOS INDUSTRIALES, S.A.	Chile
PROACTIVA SERVICIOS URBANOS, S.A.	Chile
PROACTIVA SERVIÇOS AMBIENTAIS INDUSTRIA E COMERCIO LTDA.	Brazil
SANEDO PARTICIPAÇOES LTDA.	Brazil
SÃO MIGUEL SANEAMENTO LTDA.	Brazil
SERVICIOS DE TECNOLOGÍA AMBIENTAL, S.A. DE C.V.	Mexico
SOCIEDAD DE PARTICIPACIONES EMPRESARIALES INC SOCIEDAD TENEDORA DE PARTICIPACIONES EMPRESARIALES, S.L.	Spain
TECNOLOGÍA DEL MEDIO AMBIENTE DE QUERETARO, S.A.P.I. DE C.V.	Mexico
TMQ GENERACIÓN ENERGÍA RENOVABLE	Mexico
TRANSACTIONAL TECHNOLOGIES INTERNATIONAL INC.	Puerto Rico
TULUEÑA DE ASEO, S.A. E.S.P.	Colombia
MINDAZA, S.L. SOLE-SHAREHOLDER COMPANY (10)	Paseo de la Castellana, 216 – Madrid
ASSOCIATES	
CLAVEGUERAM DE BARCELONA, S.A. (11)	Acer, 16 – Barcelona
DEBRECENI HULLADEK KÖZSZOL GALTARÓ NONPROFIT KOLÁTOLT FELELÖSSEGÜ TÁRSASAG (6)	Hungary
QUINSA PREFABRICADOS DE HORMIGÓN, S.L. SOLE-SHAREHOLDER COMPANY (12)	Ctra. S. Sebastián – Coruña Km. 183 – Barcena de Cicero (Cantabria)
TORRES PORTA FIRA, S.A. (7)	Pz. Europa, 31 5ª – L'Hospitalet de Llobregat (Barcelona)

1. Removal from the Mercantile Registry
2. Exclusion due to merger by absorption of Uniland Cementera, S.A.
3. Exclusion due to merger with Cementos Portland Valderrivas, S.A.
4. Exclusion due to merger by absorption of Cementos Portland Valderrivas, S.A.
5. Exclusion due to sale of shares
6. Exclusion due to sale
7. Exclusion due to liquidation
8. Exclusion due to merger with Cementos Alfa, S.A.
9. Exclusion of Serviá Cantó, S.A. as partner
10. Exclusion due to termination
11. Exclusion due to dissolution - termination
12. Exclusion due to merger with Canteras y Hormigones Quintana, S.A.

APPENDIX V. UNINCORPORATED TEMPORARY JOINT VENTURES (UTEs), ECONOMIC INTEREST GROUPINGS (AIEs) AND OTHER BUSINESSES MANAGED JOINTLY WITH NON-GROUP THIRD PARTIES

	Percentage of ownership as at 31 December 2014
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 AKEI	60.00
UTE ALCANTARILLADO MELILLA	50.00
UTE ARCOS	51.00
UTE ARGI GUEÑES	70.00
UTE ARUCAS II	70.00
UTE BAILIN ETAPA 2	60.00
UTE BILBOKO LORATEGIAK	60.00
UTE BILBOKO SANEAMENDU	50.00
UTE BILBOKO SANEAMENDU BI	50.00
UTE BIOCOMPOST DE ÁLAVA	50.00
UTE BOADILLA	50.00
UTE CÁDIZ	50.00
UTE CANA PUTXA	20.00
UTE CARMA	50.00
UTE CARPA – FCC PAMPLONA	50.00
UTE CASTELLANA – PO	50.00
UTE CASTELLAR DEL VALLÈS	50.00
UTE CEMENTERIOS PERIFÉRICOS II	50.00
UTE CHIPIONA	50.00
UTE CGR GUIPUZCOA	35.14

	Percentage of ownership as at 31 December 2014
UTE COLEGIOS SANT QUIRZE	50.00
UTE CLAUSURA SAN MARCOS	60.00
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 CYCSA-EYSSA VIGO	50.00
UTE DOS AGUAS	35.00
UTE ECOPARQUE CACERES	50.00
UTE ECOURENSE	50.00
UTE EKOFERRO	85.00
UTE ENERGÍA SOLAR ONDA	25.00
UTE ENVASES LIGEROS MÁLAGA	50.00
UTE EPELEKO PLANTA	35.00
UTE ERETZA	70.00
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 – PERICA	60.00
UTE FCC – SUFI MAJADAHONDA	50.00
UTE FCCSA – VIVERS CENTRE VERD, S.A.	50.00
UTE GALERÍAS III	50.00
UTE GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40.00
UTE GESTIÓN INSTALACIÓN III	34.99
UTE GIREF	20.00

	Percentage of ownership as at 31 December 2014
UTE HIDRANTES	50.00
UTE INTERIORES BILBAO	80.00
UTE JARD. UNIVERSITAT JAUME I	50.00
UTE JARDINES MOGÁN	51.00
UTE JARDINES TELDE	95.00
UTE JUNDIZ	51.00
UTE JUNDIZ II	51.00
UTE KABIEZESKO KIROLDEGIA	60.00
UTE LA LLOMA DEL BIRLET	80.00
UTE LEGIO VII	50.00
UTE LEKEITIOKO MANTENIMENDUA	60.00
UTE LIMPIEZA SANTA COLOMA	50.00
UTE LIMPIEZA Y RSU LEZO	55.00
UTE LODOS ARAZURI	50.00
UTE LOGROÑO LIMPIO	50.00
UTE LV Y RSU ARUCAS	70.00
UTE LV ZUMARRAGA	60.00
UTE MANTENIMIENTO REG CORNELLÁ	60.00
UTE MANTENIMIENTO COLEGIOS II	60.00
UTE MANTENIMIENTO COLEGIOS III	60.00
UTE MAREPA – CARPA PAMPLONA	50.00
UTE MELILLA	50.00
UTE MMI 5º CONTENEDOR	60.00
UTE MNTO. MEDITERRANEA FCC	50.00
UTE MUSKIZ III	70.00
UTE NERBIOI IBAIZABAL 5º CONTENEDOR	60.00
UTE ONDA EXPLOTACIÓN	33.33
UTE PÁJARA	70.00

	Percentage of ownership as at 31 December 2014
UTE PAMPLONA	80.00
UTE PASAIA	70.00
UTE PASAIAKO PORTUA BI	55.00
UTE PISCINA CUBIERTA BENICARLÓ	65.00
UTE PISCINA CUBIERTA MUNICIPAL ALBATERA	93.00
UTE PISCINA CUBIERTA PAIPORTA	90.00
UTE PLAN RESIDUOS	47.50
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	50.00
UTE PLAYAS GIPUZKOA	55.00
UTE PLAYAS GIPUZKOA II	55.00
UTE PONIENTE ALMERIENSE	50.00
UTE POSU – FCC VILLALBA	50.00
UTE PUERTO II	70.00
UTE PUERTO DE PASAIA	55.00
UTE PUERTO DE PTO DEL ROSARIO	70.00
UTE QUINTO CONTENEDOR	50.00
UTE R.S. PONIENTE ALMERIENSE	50.00
UTE RBU VILLA-REAL	47.00
UTE RESIDENCIA	50.00
UTE RESIDUOS 3 ZONAS NAVARRA	60.00
UTE RSU TOLOSALDEA	60.00
UTE S.U. ALICANTE	33.50
UTE S.U. BENICASSIM	35.00
UTE S.U. BILBAO	60.00

	Percentage of ownership as at 31 December 2014
UTE S.U. OROPESA DEL MAR	35.00
UTE SALTO DEL NEGRO	50.00
UTE SANEAMIENTO URBANO CASTELLÓN	65.00
UTE SANEJAMENT CELLERA DE TER	50.00
UTE SANEJAMENT MANRESA	80.00
UTE SANT QUIRZE DEL VALLÉS	50.00
UTE SANTA COLOMA DE GRAMANET	61.00
UTE SANTURTZIKO GARBIKETA	60.00
UTE SANTURTZIKO GARBIKETA II	60.00
UTE SASIETA	75.00
UTE SAV – FCC TRATAMIENTOS	35.00
UTE SELECTIVA LAS PALMAS	55.00
UTE SELECTIVA SAN MARCOS	65.00
UTE SELECTIVA SAN MARCOS II	63.00
UTE SELECTIVA UROLA KOSTA	60.00
UTE SELLADO VERTEDERO LOGROÑO	50.00
UTE SOLARES CEUTA	50.00
UTE SON ESPASES	50.00
UTE TOLOSAKO GARBIKETA	40.00
UTE TRANSPORTE SAN MARCOS	80.00
UTE TRANSPORTE DEBARRENA TXINGUDI	60.00
UTE TREMP	51.00
UTE TXINGUDIKO GARBIKETA	73.00
UTE UROLA ERDIA	60.00
UTE URRETXU Y ZUMARRAGA	65.00
UTE URTETA	50.00
UTE VERTEDERO GARDALEGUI II	70.00
UTE VERTEDERO TALES Y CORTES	50.00

	Percentage of ownership as at 31 December 2014
UTE VERTRESA	10.00
UTE VIDRIO MELILLA	50.00
UTE VIGO RECICLA	70.00
UTE VILOMARA	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	50.00
UTE ZURITA II	50.00
AQUALIA	
EDIFICIO ARGANZUELA UTE	99.99
UTE A GUARDA SANEAMIENTO	50.00
UTE ABASTECIMIENTO ZARAGOZA	70.00
UTE ACTUACION 11 TERUEL	50.00
UTE AGNITA-EPTISA-AISA	50.00
UTE AGUA SANTO DOMINGO	70.00
UTE AGUAS ALCALÁ	50.00
UTE AGUAS DEL DORAMÁS	50.00
UTE AIGÜES ELS POBLETS	95.00
UTE AMPLIACION IDAM DELTA DE LA TORDERA	66.66
UTE BYPASS SUR	50.00
UTE C-17 SERVEI	50.00
UTE CAP DJINET	50.00
UTE CC CLOT ARAGÓ	60.00
UTE CENTRO DEPORTIVO VILLENA	81.83
UTE CONSORCIO LOURO	70.00

	Percentage of ownership as at 31 December 2014
UTE COLECTORES A GUARDA 2012	50.00
UTE COSTA TROPICAL	51.00
UTE COSTA TROPICAL II	51.00
UTE COSTA TROPICAL III	51.00
UTE DEPURACION PONIENTE ALMERIENSE	75.00
UTE EDAR A GUARDA	50.00
UTE EDAR A GUARDA 2012	50.00
UTE EDAR A GUARDA 2013	50.00
UTE EDAR BAEZA	50.00
UTE EDAR GIJON	60.00
UTE EIX LLOBREGAT	50.00
UTE EPTISA-AISA (ZIMNICEA)	50.00
UTE EPTISA - ENTENMANSER	48.50
UTE ETAP LAS ERAS	50.00
UTE ETAPS ESTE	65.00
UTE EXPLOTACION ITAM TORDERA	50.00
UTE EXPLOTACION PISCINAS VIGO	50.00
UTE EXPLOTACION PRESAS DEL SEGURA	60.00
UTE FCC ACISA AUDING	45.00
UTE GESTION CANGAS	70.00
UTE GESTION PISCINAS VIGO	50.00
UTE GROUPEMENT SOLIDAIRE JERBA	50.00
UTE HIDC – HIDR. – INV DO CENTR. ACE	50.00
UTE IBIZA	50.00
UTE IBIZA-PORTMANY EPC	50.00
UTE IDAM SAN ANTONI	50.00
UTE IDAM SANT ANTONI II	50.00
UTE INFILCO	50.00

	Percentage of ownership as at 31 December 2014
UTE INTAGUA	50.00
UTE LOURO	65.00
UTE MANTENIMIENTO PRESAS DEL SEGURA	80.00
UTE MOSTAGANEM	50.00
UTE OBRAS AGUAS ALCALÁ	55.00
UTE ONDA EXPLOTACION	33.33
UTE OYM CAP DJINET	50.00
UTE OYM MOSTAGANEM	50.00
UTE PISCINA CUBIERTA CENTRO DEPORTIVO ALBORAYA	99.00
UTE POTABILIZADORA ELS POBLETS	70.00
UTE REDES CABB	65.00
UTE SCC SICE	50.00
UTE SEAFSA LANZAROTE	60.00
UTE SENTINAS	50.00
UTE S.G.V.V.	50.00
UTE TOSSA DE MAR	20.00
UTE USSA A	65.00
UTE VIGO PISCINAS	50.00
CONSTRUCTION	
ACP DU PORT DE LA CONDAMINE	45.00
ASTALDI – FCC J.V.	50.00
CONSORCIO CJV CONSTRUCTOR METRO	25.50
CONSORCIO EPC METRO LIMA	18.25
CONSORCIO CENTENARIO DE Panama	50.00
CONSORCIO CHICAGO II	60.00
CONSORCIO FCC-FI	50.00
CONSORCIO FCC-JJCC (PUERTO CALLAO)	50.00
CONSORCIO FCC METRO SANTA FE DE COSTA	50.00

	Percentage of ownership as at 31 December 2014
CONSORCIO ICA – FCC – MECO PAC-4	43.00
CONSORCIO M&S SANTA FE MCA	50.00
CONSORCIO NUEVA ESPERANZA	63.00
CONSORCIO LINEA UNO	45.00
CONSORCIO CONSORCIO REMOS FASE I	60.00
FCC - YUKSEL – ARCHIDORON – PETROSERV J.V.	50.00
GROUPEMENT FCC - INGENIUM	93.00
J.V. ASOCIEREA ARAD-TIMISOARA	50.00
J.V. BBR PTE SL – TENSACCAI SPA	51.00
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 CO-MCM	95.00
J.V. FCC, HOCHTIEF UN ACB - AEROPUERTO	36.00
J.V. PETROSERV LTD. & FCC CONSTRUCCIÓN, S.A.	60.00
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
THV CAFASSO CONSTRUCTION	60.00
UTE 2ª FASE DIQUE DE LA ESFINGE	35.00
UTE 77 VIVIENDAS EN ELCHE	55.00
UTE A-2 FERMS: TRAM SILS-CALDES	50.00
UTE A-66 BENAVENTE - ZAMORA	50.00
UTE ACCESO NORTE A VIGO NUEVA ESTACIÓN	50.00
UTE ACCESO PUERTO SECO MONFORTE	50.00
UTE ACCESO ZAMORA	65.00
UTE ACCESOS A LA ESTACIÓN DE LA SAGRERA	37.50

	Percentage of ownership as at 31 December 2014
UTE ACON. Y PEATON. SAN BARTOLOMÉ TIRAJANA	70.00
UTE ACTUACIONES AEROPUERTO DE LOGROÑO	80.00
UTE ADAMUZ	33.33
UTE AEROPUERTO DE CASTELLÓN	50.00
UTE AL – DEL PALENCIA	50.00
UTE AL – DEL OLMEDO	50.00
UTE AL-DEL POLIVALENTES	50.00
UTE ALARCÓN	55.00
UTE ALBACETE – ALMANSA	50.00
UTE ALBUERA	50.00
UTE ALCAR	45.00
UTE ALERTA AVENIDAS SAIH	50.00
UTE ALMENDRALEJO II	50.00
UTE AMOREBIETA	66.66
UTE AMPLIACIÓN EDAR GIRONA	67.00
UTE AMP. PLAT COSTERA REC. GUINIGUADA	50.00
UTE AMPLIACIÓN SAIH	50.00
UTE AMPLIACIÓN MUELLE SANTA CATALINA	80.00
UTE ANAGA	33.33
UTE ANTEQUERA	60.00
UTE APARCAMIENTO TERM. ACT. AEROPUERTO G.C.	70.00
UTE ARINAGA III	50.00
UTE ARMILLA INSTALACIONES	50.00
UTE ARRIXACA GASES	26.00
UTE ARROYO DEL FRESNO	50.00
UTE AUCOSTA CONSERVACIÓN	50.00
UTE AUDITORIO DE BURGOS	65.00
UTE AUDITORIO DE LUGO	50.00

	Percentage of ownership as at 31 December 2014
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 BATAN – CORIA	50.00
UTE AVE ALCÁNTARA-GARROVILLAS	85.00
UTE AVE GIRONA	40.00
UTE AVE MASIDE	67.00
UTE AVE MONTBLANC	75.00
UTE AVE TÚNEL DE SERRANO	42.00
UTE ÁVILA 6	35.00
UTE BALLONTI ARDANZA	9.80
UTE BARBADOS	50.00
UTE BELLTALL	40.00
UTE BENTA AUNDI	50.00
UTE BERGARA ANTZUOLA	50.00
UTE BIBLIOTECA DE NAVARRA	65.00
UTE BILBAO MANTENDU	24.50
UTE BIMENES	70.00
UTE BIMENES III	70.00
UTE BOCANA PUERTO TARRAGONA	70.00
UTE BOETTICHER	50.00
UTE BOETTICHER CLIMA	50.00
UTE BOETTICHER ELECTRICIDAD	50.00
UTE BOQUILLA SUR TÚNEL VIGO – DAS MACEIRAS	50.00
UTE BUÑEL – CORTES	80.00
UTE BUSINESS	25.00
UTE BUSINESS ELECTRICIDAD	57.00

	Percentage of ownership as at 31 December 2014
UTE BUSINESS MECÁNICAS	40.00
UTE C31-ACCESOS MATARÓ	50.00
UTE C&F JAMAICA	50.00
UTE C.A.R.E. CÓRDOBA	75.00
UTE CÁCERES NORTE	50.00
UTE CAMPO GIBRALTAR	80.00
UTE CAMPUS CLIMA	50.00
UTE CAN TUNIS	70.00
UTE CANAL PRINCIPAL DE ORBIGO	50.00
UTE CANALES DEL JÚCAR	60.00
UTE CANONADA SANT JUST	60.00
UTE CÁRCEL MARCOS PAZ	35.00
UTE CARCHUNA – CASTELL	75.00
UTE CARRETERA IBIZA – SAN ANTONIO	50.00
UTE CARRETERAS ACCESO PUERTO CASTELLON	50.00
UTE CASON II	50.00
UTE CASTELLÓ D'AMPÚRIES	50.00
UTE CASTILLO SAN JUAN	85.00
UTE CATENARIA RIGIDA TERRASSA	50.00
UTE CATLANTICO	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 CERRO GORDO	75.00
UTE CHUAC	50.00
UTE CIBELES	50.00

	Percentage of ownership as at 31 December 2014
UTE CIBELES ELECTRICIDAD	50.00
UTE CINE AVENIDA	50.00
UTE CIRCUITO	70.00
UTE CIUTAT DE LA JUSTÍCIA	30.00
UTE CLIMA "LA FE"	38.00
UTE CLIMATIZACIÓN CIBELES	50.00
UTE CLIMATIZACIÓN SON DURETA	42.00
UTE CLIMATIZACIÓN W.T.C.	50.00
UTE CLUB NÁUTICO CASTELLÓN	50.00
UTE COALVI – CONVENSA	25.00
UTE COIMA, S.A. – T.P. D ARMENGOLS C.P.	29.97
UTE COLADA	69.93
UTE COLECTOR ABOÑO II	80.00
UTE COLECTOR NAVIA	80.00
UTE CONEXIÓN CORREDOR MEDITERRÁNEO	40.00
UTE CONEXIÓN MOLINAR	70.00
UTE CONSERVACION ANTEQUERA	50.00
UTE CONSERVACION MALPARTIDA	50.00
UTE CONSERVACION BADAJOZ	50.00
UTE CONSTRUCCIÓN HOSPITAL SURESTE	50.00
UTE CONSTRUCCIÓN HOSPITAL TORREJÓN	66.70
UTE CONSTRUCCIÓN TRANVÍA ZARAGOZA	50.00
UTE CONTROL MOGÁN	33.33
UTE COORDINACIÓN	34.00
UTE COPERO	70.00
UTE CORREDOR	55.00
UTE COSTA DEL SOL	50.00
UTE CP NORTE I	50.00

	Percentage of ownership as at 31 December 2014
UTE CREAA	50.00
UTE CYCSA – ISOLUX INGENIERÍA	50.00
UTE CYS – IKUSI – GMV	43.50
UTE DÁRSENA CORUÑA	50.00
UTE DE SUMINISTROS PUENTE RÍO OZAMA	50.00
UTE DESALADORA BAJO ALMANZORA	60.00
UTE DESDOBLAMIENTO C.V. – 309 EN SAGUNTO	50.00
UTE DESARROLLO PUERTO DE AVILES FASE I	80.00
UTE DESDOBLAMIENTO DE LA AS-17 I	70.00
UTE DIQUE ESTE	35.00
UTE DIQUE ESTE DÁRSENA SUR PUERTO DE CASTELLÓN	50.00
UTE DIQUE TORRES	27.00
UTE DOCENCIA HOSPITAL SON ESPASES	33.00
UTE DONOSTIALDEA 2014	60.00
UTE DOZÓN	29.60
UTE DRAGADO CANAL ENTRADA Y DÁRSENA SUR	50.00
UTE DRAGADO MUELLE COMERCIAL VILAGARCÍA	50.00
UTE DRENAJES ADAMUZ	33.33
UTE EDAR NAVIA	80.00
UTE EDIFICIO 4 WTC	56.25
UTE EDIFICIO 6-7-8 WTC	36.00
UTE EDIFICIO C. CULT. POLIV., F. II-V. D'UIXO	60.00
UTE EDIFICIO IDI 5 TERCERA FASE CPI	75.00
UTE EDIFICIO TERMINAL	40.00
UTE EDIFICIOS TÉCNICOS CIUDEN	80.00
UTE EIX BERGUEDÀ	34.00
UTE EL CONDADO	40.00
UTE ELECTRICIDAD BY PASS SUR CALLE 30	33.33

	Percentage of ownership as at 31 December 2014
UTE ELECTRICIDAD CIUDAD COMUNICACIONES	50.00
UTE ELECTRICIDAD HOSPITAL SON DURETA	50.00
UTE ELECTRIFICACION ARRIONDAS RIBADESELLA	60.00
UTE ELECTRIFICACIÓN BURGOS	33.33
UTE ELECTRIFICACIÓN GRANOLLERS	20.00
UTE ELECTRIFICACIÓN TRANVÍA DE MURCIA	55.00
UTE ENCAUZAMIENTO BARRANCO DE FRAGA	60.00
UTE EQUIPAMIENTO AUDITORIO BURGOS	65.00
UTE ESCLUSA SEVILLA	70.00
UTE ESPELSA – CYMI INSTALACIONES NORTE	50.00
UTE ESPELSA – OCESA	75.00
UTE ESTACIÓN FGV MERCADO – ALICANTE	60.00
UTE ESTACIÓN LUCERO ALICANTE	33.33
UTE ESTACIÓN GIRONA	40.00
UTE ESTACIONS AEROPORT L9	49.00
UTE ESTACIONS LÍNEA 9	33.00
UTE ESTACIONS TERRASSA	36.00
UTE ESTEPONA	25.00
UTE EZKIO ITSASO	40.00
UTE F.I.F. GNL FB 301/2	35.96
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 FCC – SCENIC LIGHT	80.00
UTE FCC – TECYSU	80.00
UTE FGV ALICANTE TRAMO 2	60.00
UTE FGV VARIANTE TRAMO FINCA ADOC	55.00
UTE FIBER	50.00

	Percentage of ownership as at 31 December 2014
UTE FUENTE DE CANTOS	50.00
UTE GANGUREN	11.03
UTE GASODUCTOS ENAGAS GD	50.00
UTE GC – 1 PUERTO DE RICO – MOGÁN	40.00
UTE GEDERIAGA	24.50
UTE GIRONA NORTE	70.00
UTE GIRONA NORTE II	70.00
UTE GIRONA NORTE 2014	70.00
UTE GOIAN	70.00
UTE GOIERRIALDEA 2010	55.00
UTE GRANADA	70.00
UTE GRAU DE LA SABATA	90.00
UTE GUADARRAMA 3	33.33
UTE GUADARRAMA 4	33.33
UTE HABILITACIÓN ED. C. COMUNICACIONES	50.00
UTE HORCHE	65.00
UTE HORKASITAS	24.50
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 MARQUÉS VALDECILLA FASE III	33.33
UTE HOSPITAL NORTE TENERIFE	80.00
UTE HOSPITAL SON DURETA	33.00
UTE HOSPITAL UNIVERSITARIO DE MURCIA	50.00

	Percentage of ownership as at 31 December 2014
UTE HOTEL VALENCIA PARAISO	50.00
UTE HUELVA NORTE II	55.00
UTE HUELVA SUDESTE	40.00
UTE HUESCA - 2013	70.00
UTE HUESNA CONSTRUCCIÓN	33.33
UTE IBAI EDER	24.50
UTE IBARRETA	24.50
UTE IMPERMEABILIZACIÓN TÚNEL PAJARES NORTE	50.00
UTE INSTALACIONES C – 17 VIC – RIPOLL	33.33
UTE INSTALACIONES ELECTRICAS MOGÁN	50.00
UTE INSTALACIONES FONTFREDA	50.00
UTE INSTALACIONES FGC	36.00
UTE INSTALACIONES MADRID ESTE	46.25
UTE INSTALACIONES METRO MÁLAGA	54.00
UTE INSTALACIONES TÚNELES MUROS-DUEÑAS	50.00
UTE INSTITUTO DE SUANCES	70.00
UTE INTERFAZ	50.00
UTE INTERFICIES AEROPORT L9	49.00
UTE INTERM. PTO TARRAGONA	75.00
UTE INTERMODAL PRAT	35.00
UTE IRO	80.00
UTE JAÉN – MANCHA REAL	80.00
UTE JEREZ – LA BARCA	80.00
UTE JONCADELLA	34.00
UTE JUAN DE LA COSA	80.00
UTE JUAN GRANDE	50.00
UTE L9 HOSPITALET	50.00
UTE LA ALDEA	35.00

	Percentage of ownership as at 31 December 2014
UTE LAKUA 796	24.50
UTE LA ROBLA	30.00
UTE LAS ROSAS I – 7	33.33
UTE LASGARRE	50.00
UTE LAUDIO	24.50
UTE LINEA 1 TRANVÍA DE MURCIA	50.00
UTE LÍNEA 2	50.00
UTE LÍNEA 9	33.00
UTE LLAGOSTERA	50.00
UTE LLOVIO 2012	70.00
UTE LOGÍSTICA	33.33
UTE LOT 2 PMI BCN	80.00
UTE LOT 3 PMI BCN	80.00
UTE LUKO	45.00
UTE M-407	50.00
UTE M-30 TÚNEL SUR	50.00
UTE MÁLAGA COCHERAS	50.00
UTE MALLABIA	14.70
UTE MAN. AEROPORT L9	49.00
UTE MANTENIMENT RONDES II	70.00
UTE MANTENIMENT RONDES 2012	70.00
UTE MANTENIMIENTO ARANJUEZ II	76.00
UTE MANTENIMIENTO CÓRDOBA	49.00
UTE MANTENIMIENTO HUSE	50.00
UTE MANTENIMIENTO FIGUERAS	50.00
UTE MANTENIMIENTO FIGUERAS II	50.00
UTE MANTENIMIENTO TDM	50.00
UTE MANTENIMIENTO TRANVÍA ZARAGOZA	50.00

	Percentage of ownership as at 31 December 2014
UTE MANTENIMIENTO TÚNELES CÁDIZ	40.00
UTE MANTENIMIENTO TÚNELES GUADALHORCE	40.00
UTE MANTENIMIENTO TÚNELES SEVILLA	40.00
UTE MANTENIMIENTO VÍA ARANJUEZ	50.00
UTE MANTENIMIENTO VÍA SEVILLA	50.00
UTE MANZANAL	50.00
UTE MAQUINARIA PESADA INFOMA	50.00
UTE MAQUINARIA VERÍN	50.00
UTE MATADERO	57.50
UTE MECÁNICA VILLENA	65.00
UTE MEDINACELI	22.40
UTE MEJORA VIADUCTOS LORCA	50.00
UTE MEL9	49.00
UTE METRO MÁLAGA	36.00
UTE MONFORTE	24.00
UTE MONTAJE VIA MOLLET – GIRONA	50.00
UTE MONTAJE VIA O IRIXO – SANTIAGO	50.00
UTE MONTAJE VIA SIETE AGUAS - VALENCIA	50.00
UTE MONT-RAS	50.00
UTE MONTSERRAT	35.00
UTE MORA - CALATRAVA	39.97
UTE MORALEDA	66.00
UTE MTM. ARQUITECTURA, INFRAESTR. Y VÍA	28.00
UTE MTMTO. ENERGÍA Y ELECTRO	50.00
UTE MTMTO. REDES Y SISTEMAS METRO	40.00
UTE MUELLE BOUZAS	70.00
UTE MUELLE COMERCIAL VILAGARCÍA	70.00
UTE MUELLES COMERCIALES	60.00

	Percentage of ownership as at 31 December 2014
UTE MUELLE DE LA QUÍMICA	70.00
UTE MUNGUIA	13.72
UTE MURCIA	40.00
UTE MUSEO NACIONAL DE LA ENERGÍA	50.00
UTE N.O.M.	63.00
UTE NACIMIENTO	54.00
UTE NANCLARES	95.00
UTE NOU PONT DE FUSTA	50.00
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 OFICINAS HOSPITALET	50.00
UTE OLOT MONTAGUT	45.00
UTE OPERACIÓN TRANVÍA DE MURCIA	50.00
UTE OPERADORA TERMOSOLAR GUZMÁN	67.50
UTE OPERADORA VILLENA	88.00
UTE ORDIZIA	90.00
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 PALACIO DE LOS DEPORTES	50.00
UTE PANADELLA	50.00
UTE PARADOR DE EL SALER	75.00
UTE PARANINFO ZARAGOZA	60.00

	Percentage of ownership as at 31 December 2014
UTE PARQUE MÁLAGA	60.00
UTE PARQUE MAYORDOMÍA	50.00
UTE PARQUE TECNOLÓGICO	60.00
UTE PASAIA BERRI	50.00
UTE PASAIA BERRI INSTALACIONES	80.00
UTE PASEO PARQUE RIBALTA CASTELLÓN	65.00
UTE PAVONES VIVIENDAS	50.00
UTE PCI METRO DE MÁLAGA	40.00
UTE PERI AR.8 LA MADRAZA	99.00
UTE PIEDRAFITA	66.67
UTE PINO MONTANO P 5	50.00
UTE PLA DE NA TESA	70.00
UTE PLASENCIA	50.00
UTE PLATAFORMA TPTE PBCO CASTELLÓN	55.00
UTE PLATAFORMA TRANSPORTE UJI DE CASTELLÓN	65.00
UTE PLATAFORMA TTE.PUB. TRAMO I COLUMBRETES	55.00
UTE POBLA TORNESA	50.00
UTE POLA DE LENA	70.00
UTE POLÍGONO BOBES	50.00
UTE POLÍGONO DE TANOS	50.00
UTE POLÍGONO LLOREDA	70.00
UTE POLÍGONO VICÁLVARO	80.00
UTE PONT DE CANDI	75.00
UTE PORT DE LLANÇÀ	60.00
UTE PREFABRICADOS POLA	50.00
UTE PRESA ENCISO	50.00
UTE PRESAS ITOIZ	33.00
UTE PRESAS EBRO	50.00

	Percentage of ownership as at 31 December 2014
UTE PREVENCIÓN DE INCENDIOS NORESTE	50.00
UTE PREVENCIÓN DE INCENDIOS NORTE	50.00
UTE PREVENCIÓN INCENDIOS PATRIMONIO	20.00
UTE PROLONGACIÓN DIQUE REINA SOFÍA	40.00
UTE PROSER-BATLLE I ROIG	50.00
UTE PROSER – GEOCONTROL	60.00
UTE PROSER – GEOCONTROL II	62.00
UTE PROSER – UG 21	70.00
UTE PROSER – LA ROCHE TF – 5 III	50.00
UTE PSIR CASTRO URDIALES	50.00
UTE PUENTE RÍO OZAMA (DFC-COCIMAR)	35.00
UTE PUENTE DE PONFERRADA	55.00
UTE PUENTE DEL REY	33.33
UTE PUENTE Ma – 1110	33.00
UTE PUENTE PISUERGA	50.00
UTE PUERTO DE GRANADILLA	40.00
UTE PUERTO DE LAREDO	50.00
UTE PUERTO DEL ROSARIO	90.00
UTE R. ARCADIA	97.00
UTE RADIALES	35.00
UTE RANILLA CONSTRUCCIÓN	85.00
UTE RED ARTERIAL PALENCIA FASE I	80.00
UTE REFORÇ C-25	40.00
UTE REFORMA HOSPITAL V SALUD (TOLEDO)	60.00
UTE RELLENO EXPLANADA MUELLE QUÍMICA	70.00
UTE REMODELACION CTRA. RIBES (BCN)	80.00
UTE RESIDENCIAS REAL MADRID	50.00
UTE RÍO CABE	50.00

	Percentage of ownership as at 31 December 2014
UTE RÍO LLOBREGAT	55.00
UTE RODADURA I	50.00
UTE RODADURA II	50.00
UTE RONDA HISPANIDAD	45.00
UTE RUTA NACIONAL HAITÍ	55.00
UTE S.A.I.H. CHJ	50.00
UTE S.A.I.H. SUR	40.00
UTE SAGUNTO	60.00
UTE SAGUNTO PARCELA M17-3	50.00
UTE SAN PEDRO	24.50
UTE SAN VICENTE	43.00
UTE SANEAMIENTO ARCO SUR	56.50
UTE SANEAMIENTO DE VILLAVICIOSA	80.00
UTE SANTA COLOMA DE FARNERS	50.00
UTE SANTA MARÍA D'OLO-GURB	60.00
UTE SANTO DOMINGO	70.00
UTE SECTOR M-5 2012	70.00
UTE SEGUNDA FASE DELICIAS ZARAGOZA	50.00
UTE SEMINARIO P3-2	99.00
UTE SERV. ENERG. PISCINA CUB. S. CABALLO	50.00
UTE SERVEIS AFECTATS CASTELLÓ D'AMPÚRIES	50.00
UTE SIETE AGUAS – BUÑOL	66.66
UTE SISTEMA INTEGRAL ALACANTI SUR	66.67
UTE SISTEMAS METRO MALAGA	25.00
UTE SISTEMAS TRANVÍA DE MURCIA	32.00
UTE SOMOSAGUAS	50.00
UTE SOTIELLO	50.00
UTE SSAA AP – 7	50.00

	Percentage of ownership as at 31 December 2014
UTE STADIUM	70.00
UTE SUBESTACIÓN SERANTES	50.00
UTE SUD SAMART VILAFANT	45.00
UTE TARRAGONA LITORAL	70.00
UTE TECSACON	20.00
UTE TERMINAL SUR MUELLE LEÓN Y CASTILLO	35.00
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 TORREBLANCA	50.00
UTE TORRE ISLA CARTUJA	80.00
UTE TRAMBESÒS	50.00
UTE TRAMMET	50.00
UTE TRAMO DE NUEVA CONSTRUCCIÓN JÚCAR-VINALOPO	70.00
UTE TRANVÍA DE PARLA	50.00
UTE TRANVÍA L-2 PARQUE ALICANTE	55.00
UTE TRANVÍA LUCEROS-MERCADO ALICANTE	60.00
UTE TRASVASE JÚCAR VINALOPÓ	50.00
UTE TREN TRAM I	50.00
UTE TRIANGLE LÍNEA 9	33.00
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 AVE CHAMARTÍN – ATOCHA	42.00
UTE TÚNEL DE BRACONS	75.00

	Percentage of ownership as at 31 December 2014
UTE TÚNEL DE PAJARES 1	50.00
UTE TÚNEL FIRA	33.00
UTE TÚNEL PASANTE ESTACION DE ATOCHA	42.00
UTE TÚNEL PROVISIONAL ESTACIÓN ATOCHA	42.00
UTE TÚNEL SANT JUST	60.00
UTE TÚNEL TERRASSA	36.00
UTE TUNELADORA METRO	33.00
UTE TUNELES BARAJAS	50.00
UTE TÚNELES BOLAÑOS	47.50
UTE TÚNELES DE GUADARRAMA	33.33
UTE TÚNELES DE SORBES	67.00
UTE TÚNELES DELICIAS	65.00
UTE UE 1 ARROYO DEL FRESNO	50.00
UTE UE 2 ARROYO DEL FRESNO	50.00
UTE UNIVERSIDAD DE MÁLAGA	65.00
UTE UNQUERA – PENDUELES	80.00
UTE URBANITZACIÓ GIRONA	40.00
UTE URBANIZACIÓN PARC SAGUNT	50.00
UTE URBANIZACIÓN VIA PARQUE TRAMO A.V.L. CARB.-P	60.00
UTE URBISERVEIS	29.00
UTE VALDEVIVIENDAS II	33.33
UTE VALLE INFERIOR	80.00
UTE VANDELLÓS	24.00
UTE VARIANTE DE MONZÓN	70.00
UTE VARIANTE MANCHA REAL	67.00
UTE VELA BCN	33.33
UTE VELÓDROMO	60.00
UTE VERTEDERO CASTAÑEDA	62.50
UTE VÍA ACCESOS SANTIAGO	50.00
UTE VÍA PAJARES	50.00
UTE VÍAS COLECTORAS LA CARPETANIA	50.00
UTE VIADUCTOS PREFABRICADOS METRO	50.00
UTE VIC - RIPOLL	34.00
UTE VIDRERES	34.00
UTE VIGO-DAS MACEIRAS	50.00
UTE VILARIÑO (VIA IZQUIERDA)	90.00
UTE VILLAR – PLASENCIA	70.00
UTE VULLPALLERES	65.00
UTE YELTES	75.00
UTE YESA	33.33
UTE ZONA MANIOBRA	50.00
UTE ZONAS VERDES ENSANCHE DE VALLECAS	33.33

	Percentage of ownership as at 31 December 2014
CEMENT	
UTE A-27 VALLS-MONTBLANC	39.52
UTE AVE GIRONA	39.52
UTE BCN SUD	11.86
UTE GROUPEMENT EUROBETON	34.78
UTE LAV SAGRERA	26.34
UTE NUEVA ÁREA TERMINAL	39.52
UTE OLERDOLÁ	47.42
UTE ULLÁ	39.52
UTE VILADECAVALLS 92	26.35
CENTRAL SERVICES	
C.G.T. – UTE JEREZ CB	50.00
CLEAR – CHANNEL CEMUSA UTE	50.00
TRAMBESÓS UTE	33.00
UTE CEMUSA – MOBILIARIO URBANO	50.00
UTE TRAMBAIX	33.00

DIRECTORS´ REPORT

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2014 (in thousands of euros)

This report was prepared in accordance with the guidelines established in the "Guide for the preparation of directors reports of listed companies" published by the Spanish National Securities Market Commission (CNMV).

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

1. COMPANY SITUATION

1.1. Company situation: Organisational structure and Management decision-making process

On a primary level, the organisational structure of the FCC Group is composed of areas, which are divided into two large groups: operating and functional.

The operating areas encompass all the activities relating to the production line. As described in greater detail in note 1 to the consolidated financial statements, the FCC Group is composed of the following operating areas:

- **Environmental Services.**
- **Integral Water Management.**
- **Construction.**
- **Cement.**

Each of these operating areas is presided over by one or various Specialised Companies, which report to FCC and encompass the activities inherent to the Group.

The functional areas that provide support to the operating areas are as follows:

- **General Secretariat**: legal affairs of the FCC Group and coordination of the functioning of the various managing bodies.
- **Organisation**: includes the Human Resources, Information Technologies and Systems and Aggregate Purchases departments.
- **Administration:** administrative Management, general accounting, tax Management and administrative procedures.
- **Finance**: financial Management of the FCC Group, relations with financial institutions, capital markets, shareholders, stock markets and the Spanish National Securities Market Commission (CNMV), financial analysis of investments, integrated Group financial Management and control, Management, budgetary and planning control.
- **Internal Audit**: effective oversight of the Internal Control System, which contributes to Good Corporate Governance, verifies correct compliance with applicable regulations and reduces the potential impact of risks in the attainment of the FCC Group's objectives.
- **Communication and Corporate Responsibility:** Management of Communication Services, Corporate Image 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 decision-making bodies is as follows:

- **Board of Directors:** this is the body with the most wide-reaching, unrestricted powers, except for those expressly reserved by the Spanish Limited Liability Companies Law or the Bylaws, to the powers of the shareholders at the General Meeting.
- **Strategy Committee**: this supports the Board of Directors in determining the Group's strategy, in accordance with the guidelines agreed by the latter, by preparing the corresponding reports and proposals, reporting on the investment and divestment proposals, association agreements, third-party agreements, development of new lines of business and financial transactions that might affect the Group's strategy.
- **Executive Committee:** the Board of Directors delegates the most wide-reaching powers to the Executive Committee, which may exercise all the functions and powers conferred by the Bylaws and the Spanish Limited Liability Companies Law to the Board of Directors, with the sole exception of those that cannot be delegated.
- **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.

- **Nomination 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**: Transaction of business which requires coordinated actions between various areas of activity.

More detailed 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).

1.2 Company situation: Company business model and strategy

1.2.1. Business model

FCC is one of the main European groups specialised in environmental services and infrastructure development, with a presence in over 20 countries worldwide. Over 44% of its billings arise from international markets, mainly Europe, Latin America and the United States.

Environmental Servicess

The Environmental Services Area has a solid presence in Spain and has been leader in the provision of environmental urban services for over 100 years, with a solid presence in the international sphere. In Spain, activities are performed through offices of the Parent and the specialised companies FCC Medio Ambiente, S.A. and FCC Ámbito, S.A., which engages in industrial waste Management. Also, international business is carried on mainly by its subsidiary FCC Environment (UK) Limited, whose registered office is located in the UK, and by the .A.S.A. Group, which operates in Austria and Eastern Europe. Both subsidiaries are leaders in the integral Management of urban solid waste and energy recovery. Consequently, FCC's main line of business is considerably diverse in geographical terms, with 43.8% of total revenues stemming from international markets.

Environmental services generate recurring cash flows since they are based on long-term contracts (5-10 year contracts in waste collection and up to 30 years in urban waste treatment).

In Spain, FCC is leader in waste collection, street cleaning and green area upkeep, the contracts of which have a very high renewal rate upon expiry, and efforts are made to obtain new contracts.

The Environmental Services Area also includes the Industrial Waste sector, where FCC operates mainly in Spain and Portugal.

In Spain, it manages hazardous waste (with a market share of approximately 25%, making it market leader); and non-hazardous waste. In relation to recoverable non-hazardous industrial waste, FCC focuses mainly on paper and cardboard. It also operates in soil decontamination.

With regard to its international activities in Portugal, FCC is focused on the Management and treatment of hazardous industrial waste. The company is leader with a market share of approximately 60%.

The Division's global activities saw an increase compared to 2013.

Integral Water Management

Like Environmental Services, Integral Water Management generates recurring cash flows, since it is based on long-term contracts (up to 30 years in water Management and distribution).

91.9% of the income from this line derives from water Management and distribution, where FCC estimates that it is ranked number two in terms of leadership in Spain through its subsidiary Aqualia, and number three in the Czech Republic through Aqualia Czech. Also, approximately 16.0% of the income generated by the water business hails from international markets.

FCC Aqualia is the sixth largest operator in the world and is ranked third in the private capital companies sector, according to the magazine Global Water Intelligence, the most widely renowned media source and main benchmark in the international water industry. This position enables FCC Aqualia to compete on an equal-footing basis in any international tender process, in a market which is still dominated by two major French operators.

In 2014 the volume of water sales in Spain stabilised for the first time since the economic crisis unfolded. A number of regulatory measures are also being implemented, which strengthen private water Management in Spain, an activity with an ever-growing technological component, accompanied by service quality excellence aimed at guaranteeing a clean and healthy water supply for human consumption and, consequently, safeguarding human health. Such were the recent findings by the Spanish consumer organisation OCU, which, at the end of 2014, published an independent study on the quality of the water supply in 62 Spanish locations, nine of which were managed by FCC Aqualia. The OCU report classified the water supply as "Very good" and "Good".

Construction

The area's activity is divided into four lines of business:

- Civil engineering: Represents 77% of the area's revenues. Its activity is focused, inter alia, on the construction of roads, bridges, tunnels, railway infrastructure, airports, hydroelectric and port work.
- Non-residential building: Represents 13% of the area's revenues. Its activity is focused, inter alia, on the construction of administrative, health, cultural and sports centres.
- Residential building: Represented 3% of the area's revenues. Its activity is focused, inter alia, on the construction of housing units, housing developments and car parks.
- Industrial: Represents 7% of the area's revenues. Its activity is focused, inter alia, on the construction of mechanical and electrical facilities, distribution networks, generation plants, energy maintenance and efficiency.

The revenues from international markets represent approximately 50% of the total.

Cement

The FCC Group carries on its cement activity through Cementos Portland Valderrivas, S.A. (CPV), a company listed on the Spanish stock market interconnection system, in which it holds a 78% ownership interest. FCC's ownership interest in Cementos Portland Valderrivas was strengthened following the capital increase carried out in 2014. Its activity is geared towards the operation of quarries and mineral deposits for the manufacture of cement, which entails approximately 86% of the activity's total income. The remaining 14% is contributed by waste Management and the concrete, mortar and aggregates businesses.

With regard to its geographical diversification, 64% of income comes from international markets. CPV is present in Spain, Tunisia and the US, although the company also exports mainly to the UK, North Africa and Canada.

CPV has an estimated penetration of 22% in Spain and 21% in Tunisia.

1.2.2. Company strategy

Throughout 2014 the Company continued to implement the measures set out in its 2013-2015 Strategic Plan and the year drew to a close with a 1,000 euro million capital increase, allowing the repayment of 900 million euro in refinanced debt recognised at the Group's parent, a debt of 100 million euro at Azincourt Investments, S.L. and 100 million euro at Cementos Portland Valderrivas. The latter took place in February.

A number of successful changes were made at the Company under the aforementioned Strategic Plan, i.e. lower dependence on the economic cycle and a decrease in major individual projects. However, these achievements did not hamper the operating flexibility we need in order to develop our businesses.

Our strategic objectives are based on strengthening our position as world leader in Environmental Services and Integral Water Management businesses, while we maintain our presence in the cement industry and in highly profitable construction projects. The Group's strategy is based on the following main pillars:

1. Strengthen the Environmental Services and Integral Water Management businesses

The Integral Water Management and Environmental Services Areas are a profitable business model and are low risk. Consequently, our strategy is focused on strengthening our position as world leader in both Environmental Services and the water industry, as well as in the cement market, with a presence in profitable construction projects. Furthermore, we will create new lines of business to support our international growth and permit expansion throughout Latin America, Central Europe, the Middle East, North Africa and the US.

2. International expansion of the Environmental Services and Integral Water Management businesses

The expansion of Environmental Services and Integral Water Management is key to our strategy. We consider that the growth of these areas reduces our company risk and boosts our geographical diversification. In Environmental Services, Latin America is a noteworthy target for new opportunities, whilst we leverage our businesses in central Europe. For the Integral Water Management business, our goal is to expand throughout Latin America, the Middle East, North Africa and the US, while availing of our presence in Spain. In order to achieve these objectives, we have specialised team that are widely experienced in international expansion, including penetrating new markets such as Chile, Tunisia and Saudi Arabia.

3. Strengthen flexibility and profitability in construction-related activities

We do not wish to have a capital-intensive business model for construction projects and we enhance the flexibility of our operations, maximising revenues and optimising costs.

4. Optimise the capital structure

Our objective is to achieve a viable capital structure with reasonable liquidity indicators. To pursue this end, we have put in place a number of measures, including refinancing and a strategic divestment plan. We are also focused on maintaining the flexibility required to achieve growth opportunities.

2. BUSINESS PERFORMANCE AND RESULTS

2.1. Operating performance

2.1.1. Highlights

Successful capital increase in the amount of 1,000 million euro
The Extraordinary General Shareholders' Meeting held on 20 November 2014, approved a capital increase with preferential subscription rights, in the amount of 1,000 million euro, which was launched by the Board of Directors of the 27th of the same month, equivalent to 133,269,083 new shares at a subscription price of 7.5 euro per share. On 19 December 2014, it was completed with the full subscription of the new shares and a bid-to-cover ratio for the shares of more than 9.2 times. Accordingly, the current share capital stands at 260,572,379 shares.

The transaction has reduced debt, through the partial prepayment and restructuring of Tranche B included in the bank refinancing signed on June 2014, and has covered other engaged investment needs. It has also strengthened the equity structure and the Group result by reducing the financial burden.

Entry of a new significant shareholder into the capital of FCC
On 27 November 2014, the Company communicated the successful negotiations between the controlling shareholder (B-1998) and Control Empresarial de Capitales S.A. de C.V. (CEC), controlled by the Slim family. Subsequently, during the preferential subscription period of the capital increase carried out by the FCC Group, CEC signed a total of 66,794,810 newly issued FCC shares, representing 25.6% of the share capital of FCC after the capital increase.

Following the transaction and the recent capital reduction at B-1998, the resulting significant shareholder structure of FCC is: 25.6% held by CEC, 22.4% held by B-1998, and 5.7% held by BGI (Funds linked to Bill Gates).

FCC Construction obtains large new railway contracts outside Spain
Two consortia led by the Construction area obtained contracts totalling over 3,800 million euro for the year as a whole. Two underground metro projects are notable among the latter. It was awarded the contract to design and build line 2 of Lima Metro and a branch of line 4 for 3,300 million euro. The execution period envisioned

is five years, after which the 30-year operation period will commence. In the Middle East, an FCC Construction-led consortium obtained a contract to build the Red line of Doha metro (Qatar) for 500 million euro.

The works portfolio attributable to FCC Construction reflects 6,213 million euro at year end, guaranteeing over 35 months' work aligned with a profitable and selective positioning process.

FCC Aqualia consolidated its presence in the Middle East and North Africa
FCC Aqualia, parent of the Water area, was awarded a contract for the construction of the Djerba desalination plant (Tunisia) for a total of 70 million euro. The contract includes the start-up and operation of a plant which will supply water to a total of 150,000 people.

Moreover, the company has won —as part of a consortium— a tender worth 300 million euro for the development and Management of the sewerage network of Al Dhakhira (Qatar) over the next 10 years, with a served population of over 200,000 inhabitants. This contract marks the entry into the country and adds to its strategic presence in the area together with the concessions awarded previously in Saudi Arabia and UAE. With this new international expansion, FCC Aqualia is now present in over 15 countries as part of its selective expansion process in Europe, MENA and Latin America. With these new additions, the total population served amounts to 23.5 million users, with an income portfolio of 15,114 million euro at year-end, a growth of 1.7%.

Compliance with the divestment plan reach 80% completion, with 1,740 million euro
Since the current Strategic Plan was implemented in the second quarter of 2013, the group has already completed and agreed on divestments of non-core assets amounting to 1,740 million euro; this means that 79% of the target of 2,200 million euro has been reached.

Regarding those completed in 2014, notable is the sale of the Logistics business for 32 million euro, the agreement to divest Cemusa (street furniture) for 80 million euro —which is now only awaiting certain administrative authorisations in order to complete the transfer— and the sale of FCC Environmental (industrial waste in USA) last month of October, for 69 million euro.

Among the assets pending sale in coming quarters, notable is the 50% stake in Globalvía, together with real estate assets and stakes in infrastructure concessions.

2.1.2. Executive summary

- Revenues fell by 6.2% to 6,334.1 million euro, mainly due to the ongoing contraction in demand in Spain's construction sector and the more selective growth pursued in this area overseas.
- EBITDA grew by 12.1% to 804 million euro, thanks to the efficiency and restructuring measures implemented and the stability provided by the environmental "utilities" areas. Thus, the operating margin has increased over the year to 12.7%, compared to 10.6% in 2013.
- The business portfolio remains at historic highs of 32,996.5 million euro (-1.1% with respect to 31 December 2013), buoyed by the expansion in the Water area.
- Net attributable loss was -724.3 million euro, due to the accounting impact of non-recurring provisions and impairments in the amount of 781 million euro, with there being no impact on the cash flow for the year, completing the restructuring cycle undertaken since 2013.
- Net borrowings were reduced by 15.9% after the capital increase carried out in December and stood at 5,016 million euro at the end of 2014.

Note: Assets held for sale
The residual assets and liabilities in the Versia business (Cemusa) have been designated as "*held for sale*" since 30 June 2013 and are pending completion of the sale. In the same terms, it has registered those corresponding to the shares in GVI since 31 December 2013 (see note 2.1.5.3). Accordingly, their earnings are recognised under "*results from discontinued operations*" (note 2.1.4.5.2). Realia has also been reclassified as a continuing activity since 31 December 2014.

As a result of these changes, the income statement and cash flow statement for 2013 have been restated to enable comparison.

KEY FIGURES			
(million euro)	Dec. 14	Dec. 13	Chg. (%)
Net Revenues	6,334.1	6,750.0	-6.2%
EBITDA	804.0	717.3	12.1%
EBITDA margin	12.7%	10.6%	2.1 p.p
EBIT	(345.6)	(307.7)	12.3%
Ebit margin	-5.5%	-4.6%	-0.9 p.p
Income attributable to equity holders of the parent company	(724.3)	(1,506.3)	-51.9%
Operating cash flow	608.9	774.8	-21.4%
Investment cash flow	(167.2)	(411.5)	-59.4%
(million euro)	Dec. 14	Dec. 13	Chg. (%)
Net equity	495.4	243.2	103.7%
Net interest-bearing debt	5,016.1	5,964.5	-15.9%
Backlog	32,996.5	33,352.5	-1.1%

2.1.3. Summary by business area

REVENUE BY BUSINESS AREA					
Area	Dec. 14	Dec. 13	Chg. (%)	% of 2014 total	% of 2013 total
(million euro)					
Environmental Services	2,805.0	2,770.6	1.2%	44.3%	41.0%
Water	954.0	945.6	0.9%	15.1%	14.0%
Construction	2,076.1	2,597.1	-20.1%	32.8%	38.5%
Cement	542.9	540.9	0.4%	8.6%	8.0%
Corp. services & adjust.	(43.9)	(104.2)	-57.9%	-0.7%	-1.5%
TOTAL	6,334.1	6,750.0	-6.2%	100.0%	100.0%
REVENUES BY GEOGRAPHIC AREA					
Spain	3,540.5	3,880.1	-8.8%	55.9%	57.5%
UK	931.8	840.7	10.8%	14.7%	12.5%
Latin America	672.7	923.0	-27.1%	10.6%	13.7%
Central & Eastern Europe	520.0	560.4	-7.2%	8.2%	8.3%
MENA	338.9	178.1	90.3%	5.4%	2.6%
US and Canada	203.5	241.3	-15.7%	3.2%	3.6%
Others	126.7	126.4	0.2%	2.0%	1.9%
TOTAL	6,334.1	6,750.0	-6.2%	100.0%	100.0%

EBITDA					
Area	Dec. 14	Dec. 13	Chg. (%)	% of 2014 total	% of 2013 total
(million euro)					
Environmental Services	418.3	424.6	-1.5%	52.0%	59.2%
Water	208.4	193.7	7.6%	25.9%	27.0%
Construction	98.2	94.3	4.1%	12.2%	13.1%
Cement	104.8	50.4	107.9%	13.0%	7.0%
Corp. services & adjust.	(25.7)	(45.7)	-43.8%	-3.2%	-6.4%
TOTAL	804.0	717.3	12.1%	100.0%	100.0%
EBIT					
Environmental Services	(437.8)	(68.5)	N/A	126.7%	22.3%
Water	123.9	115.9	6.9%	-35.9%	-37.7%
Construction	27.8	(253.2)	-111.0%	-8.0%	82.3%
Cement	35.9	(24.2)	N/A	-10.4%	7.9%
Corp. services & adjust.	(95.4)	(77.7)	22.8%	27.6%	25.3%
TOTAL	(345.6)	(307.7)	12.3%	100.0%	100.0%
NET DEBT					
Environmental Services	1,764.4	2,162.5	-18.4%	35.2%	36.3%
Water	326.8	395.9	-17.5%	6.5%	6.6%
Construction	(212.3)	(164.1)	29.4%	-4.2%	-2.8%
Cement	1,304.3	1,363.7	-4.4%	26.0%	22.9%
Corp. services & adjust.	1,832.9	2,206.5	-16.9%	36.5%	37.0%
TOTAL	5,016.1	5,964.5	-15.9%	100.0%	100.0%
BACKLOG					
Environmental Services	11,669.7	11,884.8	-1.8%	35.4%	35.6%
Water	15,113.8	14,859.5	1.7%	45.8%	44.6%
Construction	6,213.0	6,608.1	-6.0%	18.8%	19.8%
TOTAL	32,996.5	33,352.4	-1.1%	100.0%	100.0%

2.1.4. Income statement

(million euro)	Dec. 14	Dec. 13 [1]	Chg. (%)
Net Revenues	**6,334.1**	**6,750.0**	**-6.2%**
EBITDA	**804,0**	**717.3**	**12.1%**
EBITDA margin	12.7%	10.6%	2.1 p.p
Non-recurring provisions	(98.0)	(358.7)	-72.7%
Impairment of non-current assets	(665.1)	(346.6)	91.9%
Amortisation of fixed assets	(404.3)	(425.8)	-5.0%
Other operating results	17.8	106.1	-83.2%
EBIT	**(345.6)**	**(307.7)**	**12.3%**
EBIT margin	-5.5%	-4.6%	-0.9 p.p
Financial income	(375.8)	(438.5)	-14.3%
Other financial results	(12.7)	(77.8)	-83.7%
Equity-accounted affiliates	(84.8)	34.3	-347.2%
Earnings before taxes (EBT) from continuing activities	**(818.8)**	**(789.7)**	**3.7%**
Corporate income tax expense	64.2	135.4	-52.6%
Result of continued operations	**(754.6)**	**(654.3)**	**15.3%**
Result of discontinued operations	21.2	(876.0)	-102.4%
Net Result	**(733.4)**	**(1,530.3)**	**-52.1%**
Minority interests	9.1	24.0	-62.1%
Income attributable to equity holders of the parent company	**(724.3)**	**(1,506.3)**	**-51.9%**

(1) Figures have been restated for the sole purpose of complying with IFRS 11 "Joint arrangements".

2.1.4.1. Net revenues

The consolidated revenues of the Group totalled 6,334.1 million euro in 2014, a 6.2% decrease year-on-year.

Revenues from Construction fell 20.1% year-on-year due to the continued adjustment in recent years to public investment in infrastructure in Spain, where revenues have shrunk 28.3%. This is in addition to the fact that many important works in international markets are —as yet— in the initial phase; markets in which more selective growth objectives have been implemented and the company has focused on optimising profitability and cash generation, rather than expanding the activity.

Excluding the Construction business, revenues from the rest of the Group increased by 2.5%. In the area of Environmental Services, revenues rose 1.2% driven by business in the UK; while in the area of Water, revenues rose by 0.9% due to the strength of the concession business. In the area of Cement, revenues recorded a slight increase of 0.4% due to exports, which offset the decline in revenues in Spain, linked to the closure of unprofitable cement by-product sales.

REVENUE BREAKDOWN, BY REGION

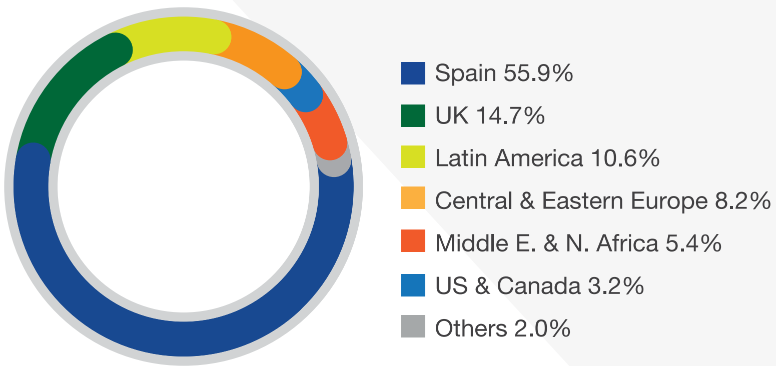
(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	3,540.5	3,880.1	-8.8%
UK	931.8	840.7	10.8%
Latin America	672.7	923.0	-27.1%
Central & Eastern Europe	520.0	560.4	-7.2%
Middle East & North Africa	338.9	178.1	90.3%
US and Canada	203.5	241.3	-15.7%
Others	126.7	126.4	0.2%
TOTAL	6,334.1	6,750.0	-6.2%

By geographic area, the strong growth of 90.3% of revenues in Middle East and North Africa is worth attention. This is due to the commencement of works of the Riyadh metro in the Construction area. Income in Latin America fell by 27.1% mainly due to the completion of other projects such as the line 1 metro project and road re-structuring of Panama City. The works for the Lima metro are expected to start in the second quarter of 2015.

In the UK, revenues increased by 10.8% due to the commencement of the Mersey Gateway project, in the Construction area, and to the increase in the urban waste treatment, recycling and incineration activity in the Environmental area, in addition to the positive effect of the exchange rate of the British pound (+5.3%). In addition, during 2014, a number of urban waste recycling, processing and incineration facilities have started to operate.

Revenues fell by 7.2% in Central and Eastern Europe, mainly due to the termination of the civil works in Romania and Bulgaria, as well as the negative effect in the exchange rate in the Czech Republic (-5.7%). In USA and Canada, the 15.7% decrease in revenues was mainly due to the completion of the Toronto metro project in the Construction business.

% Revenues by region

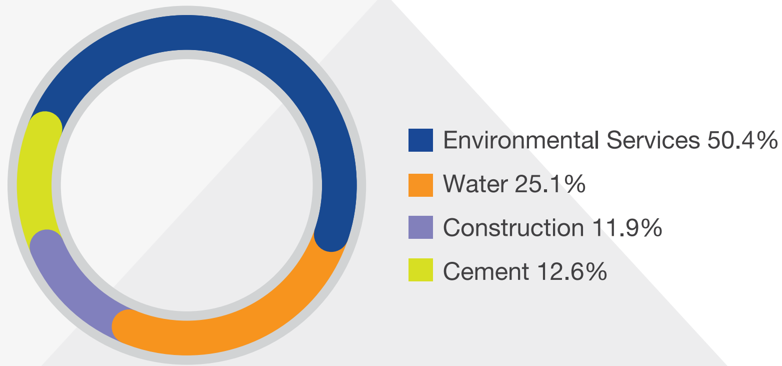


2.1.4.2. EBITDA

EBITDA amounted to 804 million euro in 2014, 12.1% increase compared to the same period from the previous year, and an improvement of 2.1 percentage points in the operating margin which climbed to 12.7%.

This improvement in profitability was due in large part to savings reached through the efficiency program and the restructuring measures implemented since the Strategic Plan launch, at the beginning of 2013. This is especially relevant in the Cement, Construction and Central Services areas.

% EBIDTA by business area*



* Adjusted for Corporate Services

2.1.4.3. Net operating profit (EBIT)

The net operating profit resulted in a negative balance of 345.6 million euro, after including non-recurring provisions and impairments of 748 million euro in the EBITDA, with no impact on the cash flow in the year, as well as the amortisation of property, plant and equipment and other operating results for a total amount of 401 million euro.

2.1.4.3.1 Non-recurring provisions

During the year, the Company has made non-recurring provisions totalling 98 million euro to cover both the impairment of real estate assets in the Construction area (in the amount of 34 million euro) and various risks at the level of the parent company (in the amount of 64 million euro).

In 2013, this line item included provisions amounting to 272.4 million euro to cover the valuation adjustment of assets, workforce restructuring costs and risks linked to certain international contracts in the area of Construction, in addition to a further 58.6 million euro in the area of Cement and 27.7 million euro in Corporate Services for restructuring costs.

2.1.4.3.2 Impairment of non-current assets

In 2014, an impairment of 649.7 million euro was recorded in the non-current assets of the subgroup FCC Environment (Environmental Services in the UK), as a result of the progressive closure forecast in some landfills which are no longer profitable due to lower volumes than expected as a result of a continued increase in the landfill tax in the past few years. This decision accelerates the change of the urban waste Management business in the UK, giving considerably more weight to the recycling, recovery and treatment activity, so as to improve profitability in all the operations in the long-term.

In 2013, this line item included the impairment of the goodwill of the subgroup FCC Environment and of companies engaged in the industrial waste business in the amount of 262.7 million euro, together with the deterioration of other non-current assets amounting to 83.9 million euro —mainly concessions in the area of Construction and the concrete, mortar and aggregates businesses in the area of Cement.

2.1.4.3.3 Amortisation of fixed assets

The depreciation and amortization expense of property, plant and equipment in 2014 amounted to 404.3 million euro, which is 5% less than the previous year and in line with the Group's reduction in property, plant and equipment. This figure includes 44.8 million euro related to the amortisation of the increase assigned to various assets at the time of their inclusion in the Group.

2.1.4.3.4 Other operating results

Finally, the line item "other operating income" contributed 17.8 million euro, mainly from the sale of property, plant and equipment in the areas of Cement and Construction. The profit of 106.1 million euro in the same period of 2013 included 105 million euro in capital gains from the swap transaction and the sale of a terminal in the Cement area.

2.1.4.4. Earnings before taxes (EBT) from continuing activities

EBT reflected a negative balance of 818.8 million euro, after incorporating the following to EBIT:

2.1.4.4.1 Financial income

Net financial expense for the year amounted to 375.8 million euro, representing a decrease of 14.3% compared to 2013 thanks to the debt haircut in the amount of 135 million euro on the amortized amount (900 million euro) of Tranche B of the syndicated corporate loan. The aggregate finance costs at year-end included 40.5 million euro in capitalised interests corresponding to Tranche B.

The negative balance of 12.7 million euro in 2014 and 77.8 million euro in 2013 from "other financial results" are primarily due to the impairment of loans to affiliates in the area of Construction.

2.1.4.4.2 Equity-accounted affiliates

The equity-accounted affiliates had a negative impact in the amount of 84.8 million euro in 2014; of which 35.8 million euro correspond to Realia, while the rest mainly relate to losses and impairment of companies in the area of Construction.

The positive result of 34.3 million euro in 2013 included 52 million euro from the sale of 50% of Grupo Proactiva and 15 million euro from the sale of other assets, mainly investments in various concessions in the area of Construction, within the ongoing divestment programme. The stake in Realia contributed losses of 29.1 million euro.

2.1.4.5. Income attributable to equity holders of the parent company

Net attributable income in the year amounted to a negative balance of 724.3 million euro (compared to 1,506.3 million euro in 2013), after including the following items in EBT:

2.1.4.5.1 Income tax

Corporate income tax included a tax credit of 64.2 million euro (135.4 million euro in the previous year).

2.1.4.5.2 Result of discontinued operations

Profit from discontinued operations is at 21.2 million euro. During the year the company concluded the sale of FCC Logística, FCC Environmental (US) and 51% of FCC Energía. At year-end 2014, the sale of Cemusa is still pending formalisation, which is expected to be completed during the second quarter of 2015.

The loss of 876 million euro in 2013 related mainly to the decline in value of the Alpine shareholding to zero, including the financial result of the company until the time of its liquidation, for a net amount of 423.9 million euro, together with the impairment of the remaining assets held for sale in the net amount of 371.1 million euro.

2.1.4.5.3 Minority interests

The minority shareholders, mainly concentrated in the Cement area, reflect losses of 9.1 million euro (24 million euro in 2013).

2.1.5. Balance sheet

(million euro)	Dec. 14	Dec. 13 [1]	Chg.(M€)
Intangible fixed assets	2,967.5	2,864.4	103.1
Tangible assets	3,175.6	3,753.1	(577.5)
Investments accounted for under the equity method	239.8	371.8	(132.0)
Non-current financial assets	426.7	386.8	39.9
Deferred tax assets and other non-current assets	1,044.2	1,082.0	(37.8)
Non-current assets	**7,853.8**	**8,458.1**	**(604.3)**
Non-current assets held for sale	1,002.5	2,172.5	(1,170.0)
Inventories	760.6	798.3	(37.7)
Trade and other receivables	2,488.4	2,819.3	(330.9)
Other current financial assets	380.4	396.3	(15.9)
Cash and cash equivalents	1,537.1	987.6	549.5
Current assets	**6,169.1**	**7,174.0**	**(1,004.9)**
TOTAL ASSETS	14,022.9	15,632.1	(1,609.2)
Equity attributable to equity holders of parent company	271.7	3.2	268.5
Minority interests	223.7	240.0	(16.3)
Net equity	**495.4**	**243.2**	**252.2**
Grants	239.3	228.7	10.6
Non-current provisions	1,157.9	1,092.5	65.4
Long-term borrowings	5,615.7	1,070.7	4,545.0
Other non-current financial liabilities	66.5	66.3	0.2
Deferred tax liabilities and other non-current liabilities	754.6	1,017.2	(262.6)
Non-current liabilities	**7,834.0**	**3,475.3**	**4,358.7**
Liabilities linked to non-current assets available for sale	776.9	1,729.2	(952.3)
Current provisions	288.5	341.4	(52.9)
Short-term financial debt	1,317.9	6,277.7	(4,959.8)
Other current financial liabilities	63.2	116.9	(53.7)
Trade and other creditors	3,247.0	3,448.4	(201.4)
Current liabilities	**5,693.5**	**11,913.6**	**(6,220.1)**
TOTAL LIABILITIES	14,022.9	15,632.1	(1,609.2)

(1) Figures have been restated for the sole purpose of complying with IFRS 11 "Joint arrangements".

2.1.5.1. Tangible assets

The balance of fixed tangible assets at 31 December totalled 3,175.6 million euro; 577.5 million euro less than on 31 December 2013 mainly due to the impairment of the fixed assets of the FCC Environment subgroup (in the UK), linked to the landfills business, as referred to in section 4.3.2.

2.1.5.2. Investments accounted for under the equity method

The balance of 239.8 million euro in investments made in investees comprised the following at 31 December:

1) 88.7 million euro for shareholdings in Water concession companies.
2) 81.8 million euro for the shareholding in companies in the Environmental Services area.
3) 54.4 million euro corresponding to the 36.9% shareholding in Realia.
4) 14.9 million euro corresponding to the remaining shareholdings and loans to investees.

The reduction of 132 million euro compared to 31 December 2013 is mainly due to the impairment and losses of investees in the Construction area.

2.1.5.3. Non-current assets and liabilities held for sale

The balance of 1,002.5 million euro in non-current assets held for sale at 31 December mainly includes the value of the assets linked to Cemusa, and to a lesser extent to the 50% shareholding in Globalvía. This line item has decreased by 1,170 million euro compared to the aggregate balance at 31 December 2013, due to the sale of FCC Logística, 51% of FCC Energía, FCC Environmental (US) and the reclassification of the Realia shareholding as an investment accounted for by the equity method.

These assets are in turn associated with liabilities in an aggregate amount of 776.9 million euro, which correspond entirely to Cemusa, mainly due to payment obligations related to the long-term exploitation rights of its street furniture advertising media.

2.1.5.4. Net equity

Net equity at 31 December amounted to 495.4 million euro, representing an increase of 252.2 million euro compared with the aggregate balance at year-end 2013, mainly due to the capital increase of 1,000 million euro undertaken last December which offsets the appropriation of attributable losses in the amount of 724.3 million euro. These losses correspond to non-recurring provisions, impairments totalling 748 million euro (pretax), as described in paragraphs 4.3.1 and 4.3.2.

2.1.5.5. Net interest-bearing debt

Net debt at 31 December 2014 stood at 5,016.0 million euro, representing a decrease of 948.5 million euro compared to year-end 2013, following the capital increase of 1,000 million euro completed last December.

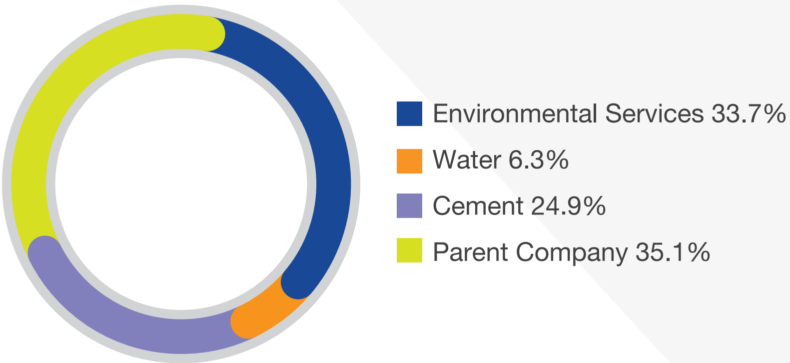
In the first half of fiscal year 2014, the FCC Group performed a refinancing transaction for its corporate bank debt worth 4,528 million euro, divided into a tranche A and a tranche B, for a period of four years (until June 2018), it extended by 6 years (until October 2020) the convertible bonds issued in October 2009, amounting to 450 million euro and it refinanced an additional 381 million pounds of bank debt corresponding to FCC Environment UK, without recourse to the parent company.

(million euro)	Dec. 14	Dec. 13	Chg. (Mn€)
Bank borrowings	5,756.4	6,228.4	(472.0)
Obligations (loans)	906.7	851.1	55.6
Finance leases	53.6	48.3	5.4
Derivatives and other financial liabilities	216.9	220.6	(3.7)
Gross interest-bearing debt	**6,933.6**	**7,348.4**	**(414.8)**
Cash and other financial assets	(1,917.6)	(1,383.9)	(533.7)
Net interest-bearing debt	**5,016.0**	**5,964.5**	**(948.5)**
With recourse	2,798.3	3,775.8	(977.5)
Without recourse	2,217.7	2,188.7	29.0

In addition, during the month of December, FCC performed a capital increase of 1,000 million euro against new cash contributions. Of this amount, 765 million euro were allocated to repay and amortise 900 million euro from tranche B of the corporate bank debt, with a debt haircut of 15%. A further 200 million euro have been used to reduce the indebtedness of the subsidiaries Cementos Portland Valderrivas and FCC Environment UK, and the remaining 35 million euro to cover the costs of the entire transaction.

Thus, the Group has managed to significantly reduce its debt level throughout the year, significantly increase their maturities and shore up its capital structure.

Net debt by business area*

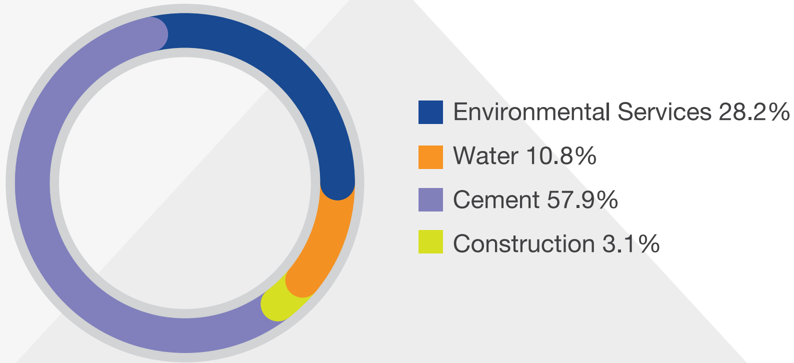


* Adjusted by net cash position in Construction

By business unit, Environmental Services and Water accounted for 40% of the net debt, related to public, regulated and long-term services; 24.9% corresponded to Cement, which accounts for a great part of fixed assets on the balance sheet; and 35.1% to the parent company, which includes among others, the aforementioned 450 million euro convertible bond issue and the acquisition debt linked to different companies in various business activities.

The Group's net non-recourse debt amounted to 2,217.7 million euro at year end; 44.2% of the total.

Net debt without recourse by area



It is worth noting that almost all of the debt linked to the Cement area (1,283.9 million euro) is non-recourse debt for the FCC Group. The remaining net non-recourse debt corresponds mainly to the Environment business, representing 625.5 million euro, of which 510 million euro correspond to the UK business, 80.6 million euro to the Central and Eastern Europe business and the remaining 34.9 million euro to other treatment and recycling plants in Spain and Portugal. Net non-recourse debt in the area of Water amounts to 240.2 million euro, of which 166.3 million euro correspond to business in the Czech Republic and the remaining 73.9 million euro to various end-to-end water Management concessions in Spain. Lastly, non-recourse debt in the Construction area (68 million euro) is related to funding for two transport concessions.

2.1.5.6. Other current and non-current financial liabilities

The balance of other current and non-current financial liabilities amounted to 129.7 million euro and includes financial liabilities not classified as interest-bearing debt, such as those linked to suppliers of property, plant and equipment, and deposits and guarantees received.

2.1.6. Cash Flow

(million euro)	Dec. 14	Dec. 13 [1]	Chg. (%)
Funds from operations	**779.6**	**745.6**	**4.6%**
(Increase)/decrease in working capital	22.3	264.8	-91.6%
Income tax (paid)/received	(78.7)	(112.1)	-29.8%
Other operating cash flow	(114.3)	(123.5)	-7.4%
Operating cash flow	**608.9**	**774.8**	**-21.4%**
Investment payments	(485.5)	(479.6)	1.2%
Divestment receipts	227.6	310.7	-26.7%
Other investing cash flow	90.7	(242.6)	-137.4%
Investing cash flow	**(167.2)**	**(411.5)**	**-59.4%**
Interest paid	(358.5)	(402.3)	-10.9%
(Repayment)/issuance of financial liabilities	(554.4)	(211.1)	162.6%
Other financing cash flow	998.6	245.2	N/A
Financing cash flow	**85.7**	**(368.2)**	**-123.3%**
Exchange differences, change in consolidation scope, etc	22.2	(177.7)	-112.5%
Increase/(decrease) in cash and cash equivalents	**549.6**	**(182.6)**	**N/A**

(1) Figures have been restated for the sole purpose of complying with IFRS 11 "Joint arrangements".

2.1.6.1. Operating cash flow

The operating cash flow generated during the year amounted to 608.9 million euro, compared with 774.8 million euro in 2013, which included a non-recurring positive effect deriving from the implementation of the supplier payment funds which contributed to a reduction in working capital of 264.8 million euro.

As planned, working capital recorded a significant reduction in the fourth quarter and ended the year with an improvement of 22.3 million euro, despite the adverse effect of the lower volume of trade receivables assigned to financial institutions amounting to 130.6 million euro, reaching a balance of 159.9 million euro at 31 December 2014.

(million euro)	Dec. 14	Dec. 13	Chg. (Mn€)
Environmental Services	(8.2)	205.9	(214.1)
Water	21.6	7.2	14.4
Construction	67.5	8.4	59.1
Cement	(2.0)	15.7	(17.7)
Corporate services and adjustments	(56.6)	27.6	(84.2)
(Increase)/decrease in working capital	**22.3**	**264.8**	**(242.5)**

Following the substantial improvement of past-due accounts receivable from government clients in Spain, at year-end 2014 the latter was close to 300 million euro. In this regard, in early 2015 the electronic invoicing system for public clients has been launched, which aims to contribute to reducing the average payment period to suppliers to thirty days and end public arrears.

Other operating cash flow amounted to 114.3 million euro and it mainly includes the application in provisions for risks and expenses in Construction, related to the restructuring of the area.

2.1.6.2. Investing cash flow

The consolidated investing cash flow in the year was reduced by 59.4% compared to the same period in 2013, the difference coming from other investing cash flow. During this financial year, deposits and guarantees were recovered along with the collection of loans from investees and discontinued affiliates amounting to 90.7 million euro. In 2013, the opposite was true for a negative net amount of 242.6 million euro. Excluding this line item, the cash flow from investments totalled 257.9 million euro in the year, compared to 168.9 million euro in 2013.

In this period, a total of 485.8 million euro have been paid in asset investments related to the operating activity of the Group (compared to 479.6 million euro in 2013); representing a 1.2% increase.

On the other hand, the company has performed divestments totalling 227.6 million euro, mostly related to assets held for sale, including most notably the divestment of FCC Environmental (US) in the amount of 69 million euro. Throughout the whole of 2013, divestments were received totalling 310.7 million euro, notable among which was Proactiva, for an amount of 125 million euro.

The breakdown of net investments, according to payments and collections by activity, is as follows:

(million euro)	Dec. 14	Dec. 13	Chg. (Mn€)
Environmental Services	(168.7)	(59.9)	(108.8)
Water	(96.7)	(103.7)	7.0
Construction	(77.1)	(3.6)	(73.5)
Cement	8.2	7.7	0.5
Corporate services and adjustments	76.4	(9.4)	85.8
Net investments	**(257.9)**	**(168.9)**	**(89.0)**

Notable are the net investments totalling 168.7 million euro made in the area of Environmental Services, which includes investments in the construction and expansion of treatment and municipal waste reduction plants in the UK.

2.1.6.3. Financing cash flow

The consolidated cash flow from financing in the year reflects a net cash inflow of 85.7 million euro, which essentially relates to the capital increase in the amount of 1,000 million euro in December, in addition to interest payments in the amount of 358.5 million euro and amortizations of financial liabilities in the amount of 554.4 million euro. It should be noted that this amount does not match the reduction in gross financial debt of 414.8 million euro on the balance sheet during the year, mainly due to the effect of exchange differences on the debt.

In 2013, this item included 96.6 million euro from the sale of 49% of the Water business in the Czech Republic (Aqualia Czech) and 150.6 million euro from the sale of 9.6% of the share capital in treasury stock.

2.1.6.4. Exchange differences, change in consolidation scope, etc

This heading, with a positive variation of 22.2 million euro in the period, includes the effect of exchange rate variations on the cash account. In 2013, this item also included a 177.7 million euro outflow in the Construction area due to the deconsolidation of the Alpine Group.

2.1.6.5. Variation in cash and cash equivalents

Combining all the previous cash flow movements, the Group's liquidity position increased by 549.6 million euro in the year, up to 1,537.1 million euro in cash and other equivalents at year end.

2.1.7. BUSINESS PERFORMANCE

2.1.7.1. Environmental Services

Environmental Services contributed 52% of the FCC Group's total EBITDA. A total of 96% of its activities involve municipal solid waste collection, treatment and disposal, along with other municipal services such as street cleaning and green area upkeep. The other 4% 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 notably in municipal waste treatment and disposal; in Central and Eastern Europe, mainly Austria and the Czech Republic, it engages in end-to-end municipal waste Management (collection, processing and disposal). FCC's Portuguese presence focuses on industrial waste Management.

2.1.7.1.1. Results

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Net Revenues	2,805.0	2,770.6	1.2%
Environmental	2,680.5	2,635.5	1.7%
Industrial Waste	124.5	135.1	-7.8%
EBITDA	418.3	424.6	-1.5%
EBITDA margin	14.9%	15.3%	-0.4 p.p
EBIT	(437.8)	(68.5)	N/A
EBIT margin	-15.6%	-2.5%	-13.1 p.p

Net revenues in the Environmental Services area totalled 2,805 million euro in the year, 1.2% more than in the same period last year. The positive performance of the Environmental activity offsets the 7.8% decline in revenues in the Industrial Waste business.

Revenue breakdown by region

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	1,576.9	1,571.5	0.3%
United Kingdom	846.0	809.2	4.5%
Central and Eastern Europe	347.3	349.6	-0.7%
Portugal and other	34.8	40.3	-13.6%
	2,805.0	2,770.6	1.2%

In Spain, revenues remained stable (0.3%) at 1,576.9 million euro, due to the positive evolution of urban waste Management, which offsets the 3.6% reduction in the domestic Industrial Waste activity.

In the UK, revenues increased 4.5% due to the positive effect of the exchange rate, and to the notable increase in the urban waste treatment, recycling and incineration activity, which accounts for 50% of the total waste treatment managed. During 2014, a number of recycling and processing facilities have started to operate, as well as the Lincolnshire incineration plant. Yet under construction, two treatment and incineration plants in the counties of Wrexham (extension) and Buckinghamshire, whose operational start-up is expected for the end of 2015 and 2016, respectively.

In Central and Eastern Europe revenues fell slightly by 0.7% as a result of the negative effect of the exchange rate in the Czech Republic (-5.7%) and to the effect of a progressive application of a landfill tax in certain countries; which has been compensated by the significant increase in the urban waste collection activity in Poland.

The 13.6% decline in net revenues in other markets is due basically to the completion of a large sludge removal contract in Italy (-6.2 million euro) and to the slowdown in the industrial waste activity in Portugal.

Revenue breakdown by region

Gross operating income (EBITDA) decreased by 1.5% to 418.3 million euro; representing a 14.9% operating margin (15.3% in 2013). In Spain, the increase in social security contributions arising from recent regulatory changes in labour matters weighs strong; while in the UK the operating margin has been favoured by the entry into operation of the Lincolnshire incinerator and in Central and Eastern Europe has improved with the efficiency measures implemented throughout the year.

Net operating profit, however, reflects losses of 437.8 million euro after including in EBITDA a 649.7 million euro impairment, recorded in the tangible assets of the sub-group FCC Environment (Environmental Services in the UK) and linked to landfills. This impairment has no effect on cash flow and corresponds to the progressive closure forecast in some landfills which are no longer profitable due to lesser volumes than expected as a result of a continued increase in the landfill tax in the past few years. This decision accelerates the change of the urban waste Management business in the UK, giving more weight to the recycling, recovery and treatment activity, so as to improve profitability in all the operations in the long-term.

In 2013, net operating income of -68.5 million euro included an impairment to goodwill for the FCC Environment subgroup amounting to 236.4 million euro, in addition to an impairment to goodwill for the companies engaged in Industrial Waste amounting to 24 million euro.

Backlog breakdown by region			
(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	7,070.9	7,437.4	-4.9%
International	4,598.8	4,447.4	3.4%
Total	11,669.7	11,884.8	-1.8%

Finally, backlog fell by 1.8% compared to the aggregate at year end 2013, reaching 11,669.7 million euro, which this year includes various extensions of contracts in Spain. This amount covers more than 4 times the 2014 revenues.

2.1.7.1.2. Cash Flow

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Funds from operations	**437.8**	**443.5**	**-1.3%**
(Increase)/decrease in working capital	(8.2)	205.9	-104.0%
Income tax (paid)/received	(38.5)	(53.2)	-27.6%
Other operating cash flow	(35.3)	(20.6)	71.4%
Operating cash flow	**355.8**	**575.6**	**-38.2%**
Investment payments	(254.9)	(197.1)	29.3%
Divestment receipts	86.2	137.2	-37.2%
Other investing cash flow	50.3	140.4	-64.2%
Investing cash flow Pagos de intereses	**(118.4)**	**80.5**	**N/A**
Interest paid	(160.7)	(130.6)	23.0%
Issuance/(repayment) of financial liabilities	(300.2)	(367.0)	-18.2%
Other financing cash flow	417.5	(137.1)	N/A
Financing cash flow	**(43.4)**	**(634.7)**	**-93.2%**
Exchange differences and others	12.1	(8.0)	N/A
Increase/(decrease) in cash and cash equivalents	**206.1**	**13.5**	**N/A**

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Net interest-bearing debt	**1,764.4**	**2,162.5**	**(398.1)**
With recourse	1,139.0	1,475.5	(336.5)
Without recourse	625.5	687.0	(61.6)

Operating cash flow generated by the Environmental Services area in 2014 totalled 355.8 million euro, down 38.2% compared to the same period of 2013. This was due both to the extraordinary cash-in of collection rights from customers in 2013 linked to the supplier payment plan, and to the lower sales volume of collection rights from clients. All in all, the average collection period in the domestic Environmental activity at year end was 4.5 months, compared to 5 months at the end of 2013.

Investment payments increased to 254.9 million euro, mainly due to the development of new treatment plants in the UK. Furthermore, the cash from divestments include the sale of FCC Environmental (US) in the amount of 69 million euro in the fourth quarter of 2014. The section includes deposits and guarantees recovered from the termination of a treatment plant in UK, within item "other investing cash flow".

The net interest-bearing debt of the area was reduced by 398.1 million euro in 2014, standing at 1,764.4 million euro at year-end, following the transfer of 480 million euro to the parent company, corresponding to the historic debt from the acquisition of subsidiaries overseas. The net non-recourse debt amounts to 625.5 million euro, of which 510 million euro correspond to the UK business, 80.6 million euro to the Central and Eastern Europe business and the remaining 34.9 million euro to other treatment and recycling plants in Spain and Portugal.

2.1.7.2. Water

The Water area accounts for 25.9% of FCC Group EBITDA. Public concessions and end-to-end water Management operations (capture, distribution and treatment) account for 92% of total revenues, and water infrastructure design and construction for the other 8%.

FCC serves more than 13 million people in over 850 municipalities in Spain. In Eastern Europe, FCC serves 1.3 million users, mainly in the Czech Republic. It also has a strong presence in Italy and Portugal. In Latin America, the Middle East and North Africa, FCC is involved mainly in water infrastructure design, construction and Management. FCC Aqualia provides water supply and/or sewage services to 23.5 million people worldwide.

2.1.7.2.1. Results

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Net Revenues	954.0	945.6	0.9%
Concessions	876.6	867.6	1.0%
Design and Construction	77.4	78.0	-0.8%
EBITDA	208.4	193.7	7.6%
EBITDA margin	21.8%	20.5%	1.4 p.p
EBIT	123.9	115.9	6.9%
EBIT margin	13.0%	12.3%	0.7 p.p

Net revenues for the area grew by 0.9% compared to 2013, reaching 954 million euro. The concessions business has seen a 1% increase in turnover, despite the negative effect of the exchange rate against the Czech koruna (-5.7%); while income from the water treatment design and construction remained virtually unchanged (-0.8%).

Revenue breakdown by region

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	772.0	749.8	3.0%
Eastern Europe	90.0	94.3	-4.6%
Rest of Europe	51.2	49.3	3.9%
Latin America	24.1	35.6	-32.3%
Middle East, North Africa and Others	16.7	16.6	0.6%
Total	954.0	945.6	0.9%

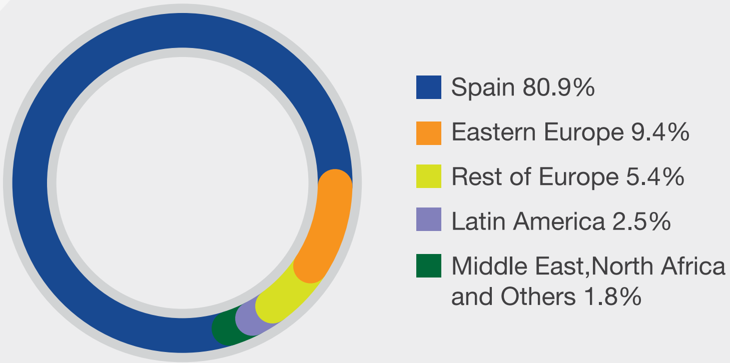
In Spain, revenues increased 3.0% with the addition of Jerez de la Frontera and Cartaya new end-to-end water Management contracts, among others, and an increase in the Alcalá de Henares contract and the Management of various installations in Madrid.

In Eastern Europe, revenues decreased 4.6% mainly due to the aforementioned negative exchange rate effect in the Czech Republic. In the rest of Europe, activity increased 3.9% after the effect of the adjustment of rates in Italy that took place in third quarter of 2013

In Latin America, the fall in revenues (-32.3%) was due to the completion of a number of treatment plants in Mexico and a desalination plant in Chile. Looking to the year 2015, we expect an increase in turnover in the region for the execution of various projects such as the construction of a sewerage line in Mexico, an underwater outfall in Uruguay and a treatment plant in Chile.

Finally, income in other markets remains stable (+0.6%) following the initiation of the construction of a desalination plant in Tunisia in the fourth quarter of 2014, which has offset the adverse comparative effect of the adjustment of the operating rates of two desalination plants in Algeria that occurred in the third quarter of 2013.

Revenue breakdown by region



The gross operating income (EBITDA) increased 7.6% up to 208.4 million euro; representing a 21.8% operating margin (20.5% in 2013). This improvement has mainly arisen as a result of the improved operational efficiency of the concessions business, although it also includes a significant margin improvement in the business of designing and building water infrastructures due to the successful completion of several projects during the year.

Backlog breakdown by region			
(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	10,575.1	10,653.0	-0.7%
International	4,538.7	4,206.5	7.9%
Total	**15,113.8**	**14,859.5**	**1.7%**

Backlog increased by 1.7% compared to the aggregate at year-end 2013, reaching 15,113.8 million euro, driven by the addition of several international contracts for the design and construction of water infrastructures, along with the upgrade to the associated backlog with the end-to-end supply contract in the Czech Republic. This amount covered more than 15 times the 2014 revenues.

2.1.7.2.2. Cash Flow

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Funds from operations	**227.6**	**211.4**	**7.7%**
(Increase)/decrease in working capital	21.6	7.2	200.0%
Income tax (paid)/received	(30.6)	(18.1)	69.1%
Other operating cash flow	0.8	(1.7)	-147.1%
Operating cash flow	**219.4**	**198.8**	**10.4%**
Investment payments	(106.4)	(122.2)	-12.9%
Divestment receipts	9.7	18.5	-47.6%
Other investing cash flow	(123.7)	(11.1)	N/A
Investing cash flow	**(220.5)**	**(114.7)**	**92.2%**
Interest paid	(45.3)	(73.4)	-38.3%
Issuance/(repayment) of financial liabilities	82.7	(123.2)	-167.1%
Other financing cash flow	3.7	109.3	-96.6%
Financing cash flow	**41.1**	**(87.3)**	**-147.1%**
Exchange differences and others	(0.5)	0.6	-183.3%
Increase/(decrease) in cash and cash equivalents	**39.6**	**(2.6)**	**N/A**

(million euro)	Dec. 14	Dec. 13	Var. (Mn€)
Net interest-bearing debta	**326.8**	**395.9**	**(69.1)**
With recourse	86.6	191.5	(104.9)
Without recourse	240.2	204.4	35.8

The operating cash flow generated by the Water area during the year increased by 10.4% compared to the same period in 2013, totalling 219.4 million euro, in line with the increase in funds from operations.

Investment payments decreased 12.9% to 106.4 million euro, due to the comparative effect with 2013, which included the payment of a fee in connection with the 25-year end-to-end water Management concession in Jerez, Spain. Other investing cash flow includes mainly loans to Group companies, which are adjusted in the consolidated cash flow statement.

Net interest-bearing debt is at 326.8 million euro, down 69.1 million euro. Net non-recourse debt of the parent company amounts to 240.2 million euro, of which 166.3 million euro correspond to business in the Czech Republic and the remaining 73.9 million euro to various end-to-end water Management concessions in Spain.

2.1.7.3. Construction

The Construction area accounts for 12.2% of FCC Group EBITDA. It is mainly involved in the design and construction of large civil engineering and industrial works and building in certain geographies. It operates in highly complex public works such as railways, tunnels and bridges, which, with industrial installation and maintenance projects, account for a large part of its activity.

2.1.7.3.1. Results

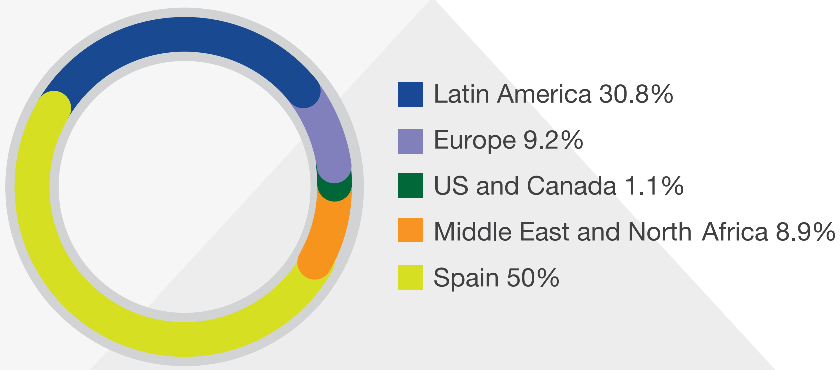
(million euro)	Dec. 14	Dec. 13	Chg. (%)
Net Revenues	2,076.1	2,597.1	-20.1%
EBITDA	98.2	94.3	4.1%
EBITDA margin	4.7%	3.6%	1.1 p.p
EBIT	27.8	(253.2)	-111.0%
EBIT margin	1.3%	-9.7%	11.1 p.p

Revenues from the area totalled 2,076.1 million euro during 2014; representing a 20.1% decline compared to the previous year, due to the sharp adjustment in public spending on infrastructure in Spain in the last few years, and to the still incipient phase of important international contracts that will start later than initially envisaged.

Revenue breakdown by region

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	1,037.9	1,447.2	-28.3%
Latin America	640.4	880.0	-27.2%
Europe	190.7	167.8	13.6%
Middle East and North Africa	184.5	40.8	352.2%
US, Canada and others	22.5	61.2	-63.2%
Total	**2,076.1**	**2,597.1**	**-20.1%**

Revenue breakdown by region



The strong increase in revenues in Middle East and North Africa is mainly due to the commencement of works in the Riyadh metro. The first conditioning phases for the works in the Doha metro began at the end of the third quarter.

Revenues in Latin America decreased 27.2% due to the completion of large projects such as the metro and road reorganisation in Panama City. The works for the Lima metro are expected to start in the second quarter of 2015. In Europe, the 13.6% rise in revenues is mainly due to the start of the Mersey Gateway project in the UK. The drop in revenues in the US and Canada is due to the completion of the Toronto metro project.

Looking to the year 2015, we expect that turnover in international markets will return to the path of growth once more, due to large-scale projects such as the metros in the cities of Riyadh, Lima and Doha. In any case, it should be noted that the area's growth targets are subject to operational and financial efficiency.

Despite the lower net revenues, the gross operating profit (EBITDA) improved by 4.1% year-on-year, reaching 98.2 million euro, which represents an operating margin of 4.7% compared to 3.6% in 2013. This improvement in profitability is due to the measures implemented to adapt the cost structure in Spain to current demand and to the improvement in the average profitability of international contracts.

EBIT fell to 27.8 million euro after incorporating into EBITDA 34 million euro of non-recurrent provisions to cover the risks of the real estate business, with no impact on cash flow during the period.

In 2013, net operating income of -253.2 million euro included impairments and provisions of assets, primarily real estate and concession assets, for an aggregate amount of 129.7 million euro, together with the recognition of a provision of 103.9 million euro for risks associated with certain international contracts and a provision of 75.6 million euro for workforce restructuring costs.

Backlog breakdown by region			
(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	2,019.7	2,520.6	-19.9%
International	4,193.3	4,087.5	2.6%
	6,213.0	6,608.1	-6.0%

The area's backlog fell 6% compared to the end of 2013, reaching 6,213 million euro, due to the continuous decrease in contracting in Spain. However, this balance allows for a guaranteed period of activity of almost three years and is aligned with the aims of giving precedence to future profitability over greater volumes of activity.

Backlog breakdown by business segment			
(million euro)	Dec. 14	Dec. 13	Chg. (%)
Civil engineering	5,002.2	5,095.3	-1.8%
Building	886.5	1,237.1	-28.3%
Industrial projects	324.3	275.7	17.6%
Total	6,213.0	6,608.1	-6.0%

By business segment, Civil engineering and Industrial projects are gaining weight in the backlog (85.7% of the total), the remaining 14.3% is for the building segment, mainly non-residential. In total, the backlog guaranteed over 35 months' work.

2.1.7.3.2. Cash Flow

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Funds from operations	**50.2**	**120.1**	**-58.2%**
(Increase)/decrease in working capital	67.5	8.4	N/A
Income tax (paid)/received	50.6	(18.7)	N/A
Other operating cash flow	(71.2)	(73.5)	-3.1%
Operating cash flow	**97.1**	**36.3**	**167.5%**
Investment payments	(104.5)	(115.0)	-9.1%
Divestment receipts	27.4	111.4	-75.4%
Other investing cash flow	(137.6)	(146.0)	-5.8%
Investing cash flow	**(214.6)**	**(149.5)**	**43.5%**
Interest paid	(45.7)	(82.3)	-44.5%
Issuance/(repayment) of financial liabilities	208.8	162.2	28.7%
Other financing cash flow	0.9	(0.9)	-200.0%
Financing cash flow	**164.0**	**79.0**	**107.6%**
Exchange differences and others	7.7	(164.2)	-104.7%
Increase/(decrease) in cash and cash equivalents	**54.2**	**(198.3)**	**-127.3%**

(million euro)	Dec. 14	Dec. 13	Chg. (M€)
Net interest-bearing debt	**(212.3)**	**(164.1)**	**(48.2)**
With recourse	(280.3)	(205.9)	(74.4)
Without recourse	68.0	41.8	26.2

The area of Construction has recorded an operating cash flow of 97.1 million euro in the year, up from 36.3 million in 2013, due to the reduction in operating working capital of 67.5 million euro and to the 50.6 million euro from income tax to the parent company. Other operating cash flow includes, in both periods, provisions for structure adjustments that have already been provisioned, mainly in the area of domestic Construction, which continues to be a burden on the operating cash flow in this area.

Investment cash flow includes payments for investments -net of cash collections from disposals, in the amount of 77.1 million euro- including contributions to infrastructure concession management companies in the amount of 49.2 million euro. In 2013, investment cash flow included collections from disposals totalling 111.4 million euro, mainly related to the sale of minority stakes in various concessionaires and real estate companies. Other investing cash flow, amounting to 137.6 million euro mainly includes loan variations granted to Group companies and affiliates.

Overall, the area's net cash position increased by 48.2 million euro with respect to December 2013, resulting in 2014 in net cash flow position of 212.3 million euro. The 68 million euro in net interest-bearing debt without recourse to the parent company corresponds to the concession companies for the Coatzacoalcos Tunnel (Mexico) and Conquense Highway (Spain).

2.1.7.4. Cement

The Cement area accounts for 13% of the FCC Group EBITDA, through its 77.9% stake in Cementos Portland Valderrivas. It focuses mainly on cement production, and that company has seven cement factories in Spain, three in the US and one in Tunisia.

2.1.7.4.1. Results

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Net Revenues	542.9	540.9	0.4%
Cement	467.2	426.2	9.6%
Other	75.7	114.7	-34.0%
EBITDA	104.8	50.4	107.9%
EBITDA margin	19.3%	9.3%	10.0 p.p
EBIT	35.9	(24.2)	N/A
EBIT margin	6.6%	-4.5%	11.1 p.p

Income in this area reached 542.9 million euro in 2014 and grew slightly by 0.4%, although this represents the first increase for six consecutive years. By business activity, the 9.6% increase in the net revenues in Cement was offset by the divestment of the least profitable businesses of concrete, mortar and aggregates in Spain.

Revenue breakdown by region

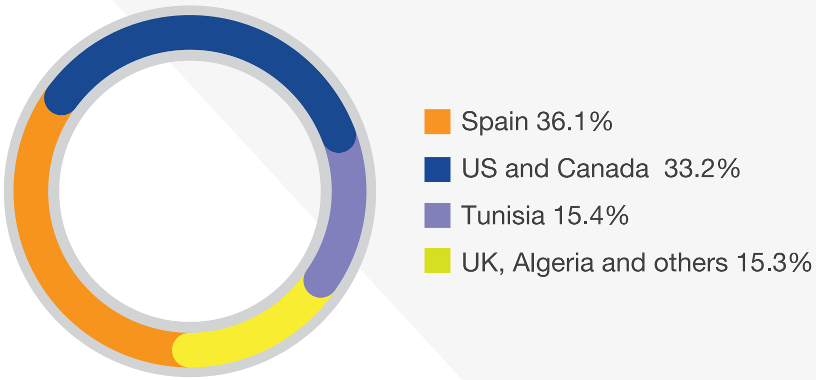
(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	196.0	215.0	-8.8%
US and Canada	180.0	180.3	-0.2%
Tunisia	83.8	79.7	5.1%
UK, Algeria and others	83.1	65.9	26.1%
Total	542.9	540.9	0.4%

In Spain, revenues fell by 8.8% due to the aforementioned closure of less profitable plants in the concrete, mortar and aggregate business (whose revenues fell by 55.4%). On the other hand, cement revenues, which reflect the area's evolution on a homogeneous basis of productive assets, increased by 11.7% compared with an annual 0.4% increase in the Spanish cement consumption.

Revenues in the US and Canada were affected by especially adverse weather conditions in the first few months of the year and the period ended practically level compared to 2013 (-0.2%).

In Tunisia, revenues increased by 5.1% despite the negative exchange rate effect (-4.3%), due to improved prices in sales volumes in the local market. Revenues from exports to the UK, Algeria and other markets rose a notable 26.1%.

Revenue breakdown by region



The gross operating profit practically doubled (+107.9%) with respect to the previous year 2013 figures, totalling 104.8 million euro, mainly due to cost saving measures implemented in Spain in previous quarters. This EBITDA figure includes 20.8 million euro from the sale of emissions rights, compared to 2.6 million euro in 2013. Excluding the sale of emissions rights, the area's EBITDA grew by 75.7%. In international markets, the improvement in EBITDA in Tunisia more than offsets the effects of adverse weather in the US during the first few months of the year.

EBIT totalled 35.9 million euro compared to a negative balance of 24.2 million euro in 2013, which included capital gains on the asset sale and swap with CRH for 105 million euro, for the 46.3 million euro in writedowns of less profitable assets and a 58.6 million euro provision for non-recurrent restructuring costs.

2.1.7.4.2. Cash Flow

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Funds from operations	**99.1**	**42.8**	**131.5%**
(Increase)/decrease in working capital	(2.0)	15.7	-112.7%
Income tax (paid)/received	(5.5)	(3.5)	57.1%
Other operating cash flow	(6.8)	(29.6)	-77.0%
Operating cash flow	**84.8**	**25.4**	**N/A**
Investment payments	(14.6)	(31.3)	-53.4%
Divestment receipts	22.8	39.0	-41.5%
Other investing cash flow	0.7	2.4	-70.8%
Investing cash flow	**8.9**	**10.1**	**-11.9%**
Interest paid	(71.4)	(71.2)	0.3%
Issuance/(repayment) of financial liabilities	(23.8)	(23.7)	0.4%
Other financing cash flow	(4.1)	13.0	-131.5%
Financing cash flow	**(99.3)**	**(81.9)**	**21.2%**
Exchange differences and others	2.9	0.3	N/A
Increase/(decrease) in cash and cash equivalents	**(2.7)**	**(46.1)**	**-94.1%**

(million euro)	Dec. 14	Dec. 13	Chg. (M€)
Net interest-bearing debt	**1,304.3**	**1,363.7**	**(59.4)**
With recourse	20.4	108.2	(87.8)
Without recourse	1,283.9	1,255.5	28.4

The area of Cement has generated an operating cash flow of 84.8 million euro in the year as a whole, compared to 25.4 million in 2013, thanks to the aforementioned increase in gross operating income, along with lower restructuring payments, conducted mainly in 2013.

Investing cash flow totalled 8.9 million euro due to the divestment of non-operational property, plant and equipment and to the restrictions on new investments. The figure in 2013 included the proceeds of 22.1 million euro from the sale of a terminal in the UK.

Net interest-bearing debt declined by 59.4 million euro with respect to December 2013, to 1,304.3 million euro, largely due to the capitalisation of a 110.8 million euro loan granted by the FCC Group's parent company.

2.2. Business performance. Environment

The information relating to the FCC Group's Environmental Policy is described in greater detail in note 30 to the consolidated financial statements. Information on the environment.

The FCC Group's strategy has a socially responsible commitment in relation to environmental services, complying with applicable legal requirements, respect for its relationship with interest groups and its desire to generate wealth and social wellbeing.

At the FCC Group, the following principles, which form the basis of its contribution to sustainable development, are encouraged and stimulated throughout the organisation:

- On-going improvement: To promote environmental excellence through the setting of targets to achieve on-going improvements 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 on 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 emissions 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 and by minimising the impact of the emissions, discharges and waste generated and managed as a result of the FCC Group's activities.
- Observation of the environment and innovation: To identify the risks and opportunities of the activities with respect to the changing natural environment in order to promote innovation and the use of new technologies, and to generate synergies between the FCC Group's various activities, inter alia.
- Life cycle of the products and services: To intensify environmental considerations in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.
- Everyone's participation is needed: To promote awareness and application of the environmental principles among employees and other interest groups.

2.3. Business performance. Employees

Following is a detail, by business area, of the FCC Group's headcount at 31 December 2014:

AREAS	SPAIN	ABROAD	TOTAL	%/TOTAL	% Chg. 2013
Construction	4,396	5,576	9,972	17%	-7%
Environmental Services	30,077	8,399	38,476	65%	-1%
Integral Water Management	6,061	1,451	7,512	12%	5%
Cement	811	937	1,748	3%	-5%
Central and Other Services*	636	296	932	2%	-80%
TOTAL	41,981	16,659	58,640	100%	-7%

* Includes 608 employees involved in operations classified as held for sale.

3. LIQUIDITY AND CAPITAL RESOURCES

Liquidity

To optimise its financial position, the FCC Group maintains a proactive liquidity risk Management policy by comprehensively monitoring cash and its projections on a fortnightly basis.

The FCC Group meets its liquidity requirements through the cash flows generated by the businesses and through financial agreements reached.

With a view to improving its financial position, the Group actively manages collection from its customers to ensure they meet their payment obligations.

For the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, the Group has the cash disclosed in the consolidated balance sheet (see note 17 to the consolidated financial statements), and financing (detailed in note 21 to the consolidated financial statements).

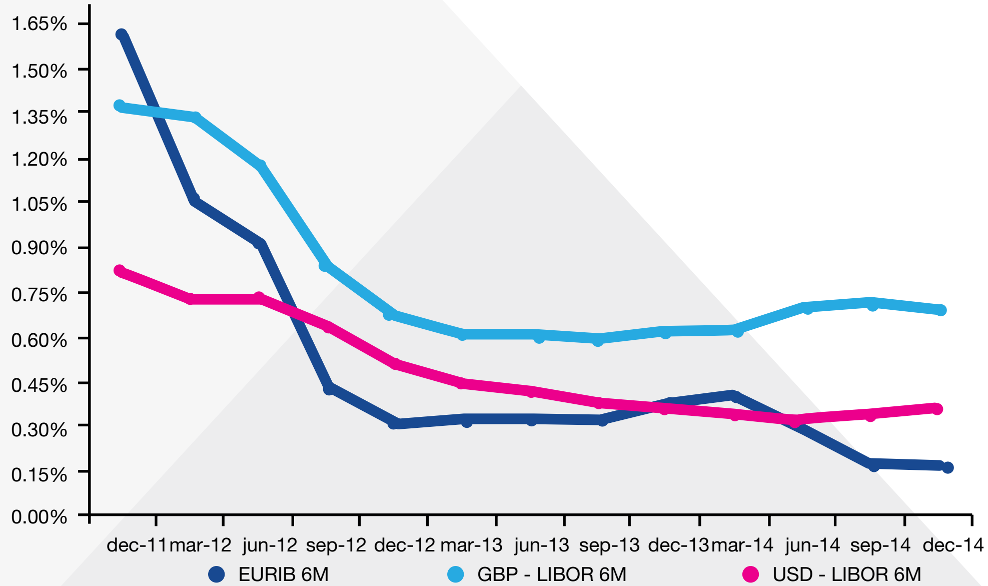
Capital resources

The Group manages its capital to ensure that the companies of which it is composed are capable of continuing as profitable and solvent businesses.

As part of capital Management operations, the Group obtains financing through a wide variety of financial products from over 50 domestic and international financial institutions.

In 2014 the Group completed a 4,528 million euro global financing process and reached various limited recourse debt refinancing agreements (see note 21 to the consolidated financial statements). At the end of 2014, the capital increase of almost 1,000 million euro was also successfully completed.

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. As shown by the chart, interest-rate stability over the past year led to very stable interest rate risk in 2014 (see note 31 to the consolidated financial statements).



This section is discussed in further detail in note 31 to the consolidated financial statements.

4. MAIN RISKS AND UNCERTAINTIES

The FCC Group is currently implementing an Integrated Risk Management Model, which is being progressively deployed and which will lead to significant improvement in the near future when mitigating the impact of any variances and breaches of its financial and corporate strategy. This new model will enable the Group to anticipate the potential risks to which its activities are subject, since it operates in various geographical spheres, activities and legal environments, which, in turn, imply different risk levels inherent to the businesses in which it performs its operations. In 2015 the implementation of this model is expected to gather momentum.

To date and throughout 2014, the Model, -partially implemented so far- has allowed a high-level risk map to be developed, using Enterprise Risk Management (COSO II) methodology, which furnishes information to Senior Executives and which will contribute to defining the FCC Group's strategy once it has been fully implemented.

The FCC Group's risk Management philosophy is being consistent with the business strategy, seeking maximum efficiency and solvency at all times, for which strict risk control and Management criteria are being established. It consists of identifying, measuring, analysing and controlling the risks incurred by the Group's operations to ultimately ensure that the risk policy is correctly integrated in the organisation thereof.

In view of the unique nature of each FCC Group business area, risk is managed in each area by preparing a Risks Map in each one and subsequently, based on the reported information, a consolidated Risks Map of the FCC Group will be prepared.

Using this model, the risk in each business area was partially managed in 2014 through:

- The identification of the key risks for the FCC Group, based on their potential threat to the attainment of the organisation's objectives in each business area.
- Risk evaluation. The risk valuation scales are defined in accordance with their potential impact if they materialise and their likelihood of occurrence.
- The identification of the controls and procedures that mitigate both the economic impact and their likelihood of occurrence.
- The identification of an owner for each identified risk, as the person responsible for maintaining an adequate Internal Control level.

The results of Ongoing Risk Management are reported to the Audit and Control Committee, the body ultimately responsible for overseeing the Group's risk Management, as included in the Group's Board Regulations.

In 2014, in order to ensure compliance with the best practices existing in this sphere (COSO II ERM), The FCC Group's General Internal Audit and Risk Management Division oversaw the work performed by the various business areas during the implementation stages of the model relating to risk identification and assessment, the appropriate identification of existing control activities and identification of the most effective risk materialisation indicators.

As implementation of the model gathers pace in 2015 for risks exceeding the Accepted Risk for each sector of activity, the necessary action plans will be put into place, including possible corrective measures enabling their critical nature to fall within the Accepted Risk area. These action plans will include the measures required to strengthen existing controls and could potentially include new controls.

Work will also be carried out on updating specific Risk Management procedures in each business area, to ensure compliance with the model and their active involvement in any decision-making process within the organisation.

Consequently, once implemented, the model will enable the FCC Group to:

- Adopt measures to prevent their materialisation (likelihood of occurrence) or minimise their economic impact, by identifying early the key risks, in the case of identifying an internal control area of improvement.
- Compare the objectives to be reached by the Group with the risks that could prevent them from being executed and with the control activities required so that the risk does not materialise, or minimise their economic impact if they do materialise.
- Ensure compliance with prevailing legislation and the Group's internal regulations and procedures.
- Check that the financial preparation processes are adequate to guarantee the reliability and integrity of such financial information.
- Safeguard assets.

By following the best corporate practices in this area and applying COSO II methodology, the various types of risks are categorised in the model into:

- Strategic risks. These are risks related to the Group's strategy and are given priority Management. They include the risks relating to the markets /countries/ sectors in which the FCC Group operates. They also include reputational risks, innovation risks and economic planning.

- Operating risks. These are risks relating to the operational Management and the value chain of each business where the FCC Group operates. They include the risks relating to tender and contracting processes, partner selection, subcontracting and suppliers, human resources Management and ongoing employee training.
- Compliance risks. These affect internal or external regulatory compliance. They include those relating to compliance with the FCC Group's Code of Ethics, compliance with legislation applicable to: legal (which includes, since 2010, the criminal code from which criminal liability for legal entities derives), tax, ICFR matters, protection of data, quality, environment, information security and the prevention of occupational risks.
- Financial risks. Risks associated with financial markets, cash generation and Management. They include the risks relating to liquidity, working capital Management, access to financial markets, exchange rates and interest rates.

In 2014 the reporting risks are included in the operating and strategic risks category. However, in view of their unique nature and that it is essential for the FCC Group to appropriately control this type of risks, in 2015 they will be identified as a separate category in the Risk Maps, in terms of the risks associated with the reliability of the businesses' financial reporting, which is consolidated at the FCC Group's parent, including those relating to the generation of information and their Management throughout the organisation.

4.1. Main risks and uncertainties. Operating risks

a) Public Authorities can unilaterally amend or terminate certain contracts before they are fully executed. In these cases, the compensation to be received by the FCC Group might not be sufficient to cover the losses incurred and, also, such compensation might be difficult to collect.

b) The economic crisis has led to a slump in the tax revenues of Public Authorities, causing a decline in investment in industries such as concessions or infrastructures.

c) Certain municipalities could decide to manage the services currently provided by the FCC Group.

d) The FCC Group's design and construction activities expose it to certain risks, including those relating to economic losses and third-party liability.

e) The FCC Group carries on its activities through long-term contracts that can adversely affect its ability to react swiftly and appropriately to new unfavourable financial situations.

f) The FCC Group's ability to make payments is linked to its customers' ability to make payments.

g) The decline in the acquisition of goods and services or project delays in both the public and private sectors can adversely affect the FCC Group's results.

h) The FCC Group relies on technology to develop its lines of business and maintain its competitiveness. If the FCC Group failed to keep up with technological developments or industry trends, its business could be adversely affected.

i) The companies in which the FCC Group has ownership interests together with third parties may expose it to risks.

j) Certain of the FCC Group's investees are controlled by third parties over which the FCC Group does not exercise control.

k) The FCC Group's backlog is subject to project adjustments and cancellations and, therefore, is not a sure indication of future revenue.

l) The FCC Group partakes in tender processes and authorisation regulatory procedures, in which significant expenses can be incurred, without any guarantee of success.

m) The FCC Group carries out its activity in competitive markets.

n) Public opinion may react negatively to certain FCC Group facilities.

o) The FCC Group uses large volumes of energy in its business, laying itself bare to the risk of fluctuations in energy prices.

p) The departure of key technical and Management staff could hamper the success of business operations.

q) The FCC Group is increasingly dependent on IT systems.

r) The FCC Group is subject to litigation risk.

s) The industries in which the FCC Group operates are subject to intense scrutiny by competition authorities

t) If the FCC Group fails to obtain Government approval for its projects or suffers delays in obtaining them, its financial position and results could be adversely affected.

u) The FCC Group's activities are subject to laws and regulations against bribery and corruption that affect where and how the FCC Group conducts its activities.

v) The FCC Group can be affected by accidents that take place at its construction projects.

w) Risks associated with the Environmental Services area.

(i) The landfill business in the UK has been and continues to be exposed to a very adverse market climate, which could continue to deteriorate in the future, thereby having a negative bearing on the FCC Group.

(ii) The decline in waste collection would give rise to a fall in the rates received.

x) Risks associated with the Integral Water Management Area.

(i) The Water business activities are sensitive to changes in consumption models.

(ii) The Water business is sensitive to climate conditions.

(iii) In the supply of drinking water, the FCC Group must ensure that water is fit for human consumption.

(iv) Polluted water discharge could adversely impact the FCC Group.

y) Risks relating to the Construction Area.

(i) The FCC Group is subject to construction-related risks.

(ii) The construction industry is highly cyclical.

(iii) The FCC Group's construction projects could be delayed or their budget might be exceeded, leading to lower profits than those expected or losses.

(iv) The construction materials market is greatly affected by the cyclical nature of the construction industry.

z) Risks associated with the Cement Area.

(i) The cement business's operations are subject to emission control regulations.

4.2. Main risks and uncertainties. Financial risks

The concept of financial risk refers to the changes in the financial instruments arranged by the Group as a result of political, market and other factors and the repercussion thereof on the consolidated 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 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:

Capital risk

Capital risk is described in greater detail in note 3 to the consolidated Directors' Report.

Interest rate risk

In order to ensure a position that is in the FCC Group's best interest, an interest rate risk Management policy is actively implemented, based on the ongoing monitoring of markets and the assumption of different positions based primarily on the asset financed.

Foreign currency risk

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 made in the same currency. The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

Solvency risk

The most representative ratio to measure solvency and debt repayment capacity is: Net Debt /EBITDA.

Liquidity risk

Liquidity risk is described in greater detail in note 3 to the consolidated Directors' Report.

Concentration risk

This is the risk deriving from the concentration of financing transactions based on common characteristics and is distributed as follows:

- Financing sources: In order to diversify this risk, the FCC Group works with a large number of domestic and international financial institutions in order to obtain financing.
- Markets/geographical area (Spanish, foreign): the FCC Group operates in a wide variety of Spanish and international markets, the Group's debt concentrated mainly in euros and in other various international markets, with different currencies.
- Products: The FCC Group uses various financial products: loans, credit facilities, debt instruments, syndicated transactions, assignments and discounts, etc.
- Currency: the FCC Group finances its operations in a wide variety of currencies, corresponding to the country of the investment

Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Group, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position, can result in a collection risk with regard to the amounts owed.

The Group requests commercial reports and assesses the financial solvency of its customers before entering into agreements with them and also engages in on-going monitoring of customers, and has a procedure in place to be followed in the event of insolvency. In the case of public customers, the Group follows the policy of not accepting projects without an allocated budget and financial approval. The bids that exceed a certain collection period must be authorised by the Finance Department. Furthermore, late payment is monitored on an ongoing basis by specific bodies such as risk committees.

Financial derivatives designated as hedging 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 24 to the consolidated financial statements. The main financial risk being hedged by the FCC Group using derivative instruments is that relating to the change in floating interest rates to which the financing of the FCC Group companies is referenced. Financial derivatives are measured by experts on the subject that are independent from the Group and the entities financing it, using generally accepted methods and techniques.

The financial risks to which the Group is exposed are discussed in further detail in note 31 to the FCC Group's consolidated financial statements.

5. IMPORTANT CIRCUMSTANCES OCCURRING AFTER THE REPORTING PERIOD

In relation to the New Restructuring Framework Agreement (see note 21 to the consolidated financial statements), it should be noted that following approval by 86.5% of the lender banks, a court approval proceeding ("homologacion judicial") was implemented in order to apply the conditions to all lender banks. Once the Spanish scheme of arrangement has been approved in court, legal proceedings commence in order to file challenges, which, at the date of authorisation of issue of these consolidated financial statements, have not yet concluded.

6. COMPANY OUTLOOK

Set forth below are the prospects for 2015 for the main business areas composing the FCC Group. The construction and services backlog at 2014 year-end, which amounted to 32,996 million euro guarantees the continuation of a high level of activity over the coming years.

In 2015 the Environmental Services Area is expected to maintain the budgets in Spanish local corporations, which will help preserve the level of activity. Tender process are envisaged to increase and, therefore, growth is forecast in energy efficiency contracts.

At the end of 2014, the Environmental Services Area portfolio amounted to 11,670 million euro, which is equal to 4.16 years of production, thereby giving a clear perception of future revenues.

In relation to customer debt, the mandatory so-called electronic invoice was implemented vis à vis the Spanish Public Authorities, permitting tighter control over collection periods.

The promotion of new long-term Public Private Partnership-type contracts is forecast to continue throughout 2015, while the Edinburgh and Midlothian contracts are set to be signed, relating to the construction of an energy-from-waste incineration plant, in addition to the development of a third incineration facility at Eastcroft, with Nottingham city. Despite the progressive slump in landfill activity, these activities allow us to maintain revenues, which will continue focusing on recycling and landfill diversion objectives imposed by EU directives. An optimisation plan involving landfill activity will be foreseeably implemented, aimed at only keeping assets that meet market demand and profitability criteria. The treatment plant performance enhancement programme is expected to remain ongoing, while growth is forecast for activities relating to power generation and recyclable products.

With regard to Central and Eastern Europe, the business will foreseeably consolidate its position and achieve moderate growth, while overcoming the effects of the financial crisis.

It is envisaged that considerable endeavours will be made to lay the foundations for developing the concessions activity and traditional activities in new countries, within the scope of the strategic plan over the short term.

In 2014 the Industrial Waste sector came to a turning point, compared to preceding years, with regard to the volumes of treated waste and is estimated to slightly rise in 2015 due to an upturn in the economy, growth in private consumption and a moderate revival of industrial activity. Also, keeping up the adjustment measures carried out in 2014 will lead to substantial improvement in results in Spain. In Portugal, the panorama is envisaged to continue as a result of land Management awards and mild growth in industrial activity, giving rise to a higher volumes of waste requiring treatment. In the US, following the sale of FCC Environmental, a new company was created called FCC Environmental Services, which is focused on oil field waste Management and Public Authority waste Management.

In the Integral Water Management Area, expansion in 2015 will be boosted mainly through projects in familiar markets, such as Spain, Portugal, Central and Eastern Europe, the Middle East (Egypt, Saudi Arabia and UAE) and Latin America. New markets are also set to open, such as North America, North Africa and India.

At 31 December 2014, the Integral Water Management Area portfolio amounted to 15,114 million euro, which is over 15 times the income for 2014.

The contribution by private companies to provide universal access to water, established as a Millennium Development Goal by the United Nations, will certainly be important, not only because of their technological and Management ability but also their capacity to attract financing to develop new infrastructures and maintain those already in existence. According to the definition of the United Nations, this goal obliges governments to seek solutions to facilitate universal access to water, which must contribute to the economic maintenance of the service, in accordance with the conditions established by each country.

In recent years, the Public Authorities in charge of water Management are moving away from water cycle integral Management concession models towards public-private participation models under the Build Operate Transfer (BOT) regime for new infrastructure construction work. In countries with sufficient budgetary capacity, new infrastructure is still built under construction contracts and new types of maintenance and operation service contracts are being created in accordance with the specific characteristics of each Public Authority.

In Spain in particular, the Law on the de-indexation of the Spanish Economy is still going through Parliament, which is also processing the Bill amending the General Regulations of the Public Procurement Contracts Law. This will have an impact in the industry in terms of bidder solvency and on the lack of classification required for service agreements. These regulatory measures will foreseeably strengthen private water Management in Spain.

In the Construction Area, although the Spanish market is showing green shoots, significant growth is not envisaged in the volume of public tenders over the short term. Conversely, the international infrastructure market stemming mainly from emerging countries with successful economies present an opportunity for the FCC Construcción Group.

Once phase one of the Strategic Plan has been completed, which consisted of a significant restructuring and adjustments process, the Construction Area will focus on better Management, thus contributing positive results to the income statement and cash generation.

One objective in 2015 will be the search for growth, mainly through the international market, based on adequate risk Management that will enable a selective project policy to be pursued, thus guaranteeing clear profitability perspectives.

Taking into account the foregoing, it is estimated that revenues in Spain in 2015 will be lower than in 2014, due mainly to budgetary restrictions in the public sector.

However, revenues from abroad in 2015 are estimated to exceed those earned in 2014, thanks to the development of large infrastructure construction projects commenced in 2014 and to the endeavours being made to open new markets enabling operations to take place in main areas such as the Americas (Central America, Chile, Peru, Brazil, Colombia, US, and Canada), the Middle East (Saudi Arabia) and Europe (UK, Romania, Portugal and Poland).

With respect to the **Cement** Area, it should be noted that the level of income is closely linked to the economic performance of the various countries in which the Company is established, which are mainly Spain, accounting for approximately 36% of total revenues, the US, with 33% and Tunisia, with 15%. CPV exports to other countries such as Canada, UK and North Africa from these three countries.

In Spain where most of the Cementos Portland Valderrivas Group's production facilities are located, the estimates for 2015 by Oficimen (the Cement Production Grouping in Spain) indicate an optimistic scenario of a 6.1%.increase in cement consumption. It is the first year since 2007 that growth forecasts have been positive. The industry's performance in recent years has been an ongoing decline in activity (2011, down 16.4%, 2012, down 34 %; 2013, down 21%; 2014, up 0.4%) up until 2014, in which activities have stabilised compared to the preceding year. Starting a growth trend is a very important factor for the entire industry and for Cementos Portland, the company with the largest market share.

CPV's projections concerning the downturn in the market are similar to those of Oficemen. Of the total number of tonnes produced by CPV in Spain, approximately 33% are earmarked mainly for exports. This proportion is expected to remain the same in 2015, although cement exports are expected to fall and clinker exports are set to rise. Also, prices are forecast to increase by 7% in the domestic market.

In the US, the estimates from PCA (Portland Cement Association) indicate annual market growth of approximately 8.4% / 10.7% for the 2015-2016 period, which will be headed by the residential sector, while civil works will see more moderate increases due to the budgetary restrictions of the union's government and states. In view of this market performance, as well as the various improvements in Management undertaken by the Group, the outlook is bright for the inflows of funds over the coming years in this market. Conversely, although the weight of the sales in tonnes for export to the US stood at approximately 6% in 2014, they will foreseeably increase in coming years, leading to growth in revenues from the US.

The Tunisian market is expected to increase slightly by an estimated 4% in 2015. This market growth will be affected by the presence of new installed production capacity in the market in 2014. However, exports to other countries in North Africa are set to increase, thus leading to a rise in CPV's income in this country compared to 2014.

In this context, the Cementos Portland Valderrivas Group will continue developing its policies to contain costs and restrict investments and adapt all organisational structures to the reality of the various markets in which it operates, in order to obtain a better inflow of funds.

7. R&D+I ACTIVITIES

In 2014 the FCC Group's R&D+i activities materialised into more than 70 projects.

Among the Corporate R&D+i projects, the following must be highlighted in 2014:

IISIS- Integrated Research on Sustainable Islands. It is led by FCC, S.A. through the Environmental Services and Energy Areas, with the participation of other Group areas such as Aqualia, FCC Construcción and the Cementos Portland Valderrivas Group, together with various outside companies. Its objective is to achieve sustainability and self-sufficiency with regard to urban developments for the future, including:

- Elements, materials, technologies and systems required to develop the building in a marine environment, without constituting a threat to the environment.
- Self-sufficiency in all respects (energy, water, basic food, waste treatment and recycling).
- A smart Management and control system. All the processes and sub-processes involved in all stages of the lifecycle of the island have been identified, which will be used to create the smart control and Management orders, based on achieving maximum efficiency and sustainability.

In 2014 the business areas performed the following R&D+i activities.

SERVICES

In environmental services activities, aside from continuing with the research work in various projects that commenced in previous years, other new projects have been developed, the main ones being as follows:

- **ULTRACAPS TRUCK:** New technology in hybrid electric motorisation for waste collection trucks. Transformation of a collector-compactor side loader unit based on CNG into another truck using an electrical traction system and basic energy storage using ultracapacitor technology..

- **ECOEFFICIENT Management INDICATORS:** In-house development of a method and functional pilot to calculate the significant indicators of the ecoefficient Management of the services rendered. It consists of establishing and implementing a system of benchmark indicators that enable the environmental efficiency of the FCC Group's environmental division's production processes to be assessed, in terms of optimisation of resources, reduction in GHGs and adaptation to climate change.

- ADVANCED SOLUTION FOR THE GLOBAL Management OF ALL THE PROCESSES AND PLAYERS IN ENVIRONMENTAL CONTRACTS: project that includes various objectives such as process improvement, swiftness of response vis à vis new business requirements, global access to more favourable functionalities, Management of geo-referenced information inter alia.

- PLUG-IN ELECTRIC COLLECTION VEHICLE: The results of the tests carried out during actual service were analysed and validated.

- ENERCITY: With the purpose of developing a printed PV panel using organic material in urban street furniture, to provide energy to its power system.

- ECOE: Development and pilot test of a system and new Management technology for building installation systems, capable of functioning using the surplus energy in the environment.

- CEMESMER. To meet the demand for the Management of mercury-related waste in the face of the upcoming obsolescence of certain industrial processes. In 2014 tasks were focused on developing a new range of high-performance cement products for the immobilisation of mercury, thus achieving a technological breakthrough in treatment processes for mercury-contaminated waste. The possibility of its reuse as a construction material will also be studied.

- LEACHATES. Modelling of the hydraulic performance of a landfill to study the production of leachates and the implementation of control and mitigation measures.

- DECONTAMINATION OF AQUIFERS: Development of a new work method to diagnose the status of a contaminated aquifer and its application to design corrective actions.

- SOIL DECONTAMINATION: Inclusion of new sampling techniques, preparation and modelling in the decontamination of environmental liabilities.

- RECO2VAL: Integrated demonstration of CO_2 reduction processes through the carbonatation of waste and mineral raw materials and recovery of carbonation products.

INTEGRAL WATER Management

In 2014 FCC Aqualia's innovation activity was carried on in the areas of Sustainability, Quality and Intelligent Management, including strategic planning. The main projects are as follows:

- CENIT VIDA. The project's work led to a change in the treatment model and facilitated the development of five other bioenergy projects relating to the All-gas project.

- ITACA. Included in the Sustainability Area, it has extensively sought novel approaches for the use of wastewater as a resource, to lower energy consumption and emissions or in the search for alternative technologies.

- IISIS. One of the major initiatives in the Company's Intelligent Management area. The project, led by FCC S.A. enjoyed the significant involvement of FCC Aqualia, which headed the "Water and Environment" and "Integration" tasks. The project's main results led to energy savings, savings in sludge production, enhanced operations, detection of leakages and various software developments.

- SMARTIC. Work was performed on water quality control from its collection until its exit from the drinking water plant, with the design and construction of various automation systems capable of performing tests that must currently be conducted at laboratories. Savings have been observed in the drinking water plant's operating costs, as well as an increase in quality, since the operation can be adjusted to the gross water's characteristics.

- ALEGRIA. The recovery of industrial effluent, the process of anaerobic digestion with membrane bioreactors and the cultivation of microalgae for its recovery were studied. The project sought to obtain bioenergy and value products.

- RENOVAGAS. Its aim is to develop a Synthetic Natural Gas production plant based on biogas, through the methanisation of hydrogen obtained from renewable sources.

- **REGENERA.** In order to develop a wastewater treatment system through the cultivation of microalgae and using the biomass generated as a raw material for biofertilizer production. The research team is composed of Aqualia Infraestructuras, Biorizon, Universidad de Almería and Fundación Cajamar.

- **LIFE MEMORY.** This proposes to demonstrate, on an industrial prototype scale, the technical and economic feasibility of innovative technology, a submerged anaerobic membrane bioreactor (SAnMBR), as an alternative to traditional treatment processes. This technology allows the organic matter in wastewater to be converted into biogas, which can be used at the treatment plant to produce energy in the form of heat and electricity. The benefits to be obtained from the project are: a decrease of up to 70% in energy consumption and 80% in CO_2 emissions, a 25% decrease in space requirement compared to conventional aerobic treatment plants, a decrease of approximately 50% in sludge production and the implementation of a protocol to design and operate treatment plants based on this technology.

- **LIFE BIOSOLWARE.** The study proposes to demonstrate a new treatment for wastewater based on biological technology and a purification site. The process allowed 80% of the water to be reused and organic waste and gas to be recovered.

- **CIP CLEANWATER.** To demonstrate new technology for disinfecting water in three applications: drinking water, desalination and reuse.

- **FP7 URBAN WATER.** An innovative platform will be developed and innovated based on IT and communication technologies, which will improve integral water Management in urban areas, representing 17% of water consumption in Europe. The project is focused on developing new solutions to predict water demand and interpreting consumption in order to manage water more efficiently, with innovative modules to estimate water availability and supply, improvement of billing systems and data Management in real time, leakage detection and decision making, inter alia.

- **WATER JPI MOTREM.** The Motrem project aims to contribute new technologies for water treatment and/or enhance those already in existence, by developing integrated processes for the control and treatment of pollutants emerging in the current line of the municipal wastewater treatment plants, placing particular importance on water reuse. For this purpose, the project combines transverse and multidisciplinary experience in the design of water treatment processes, and in engineering, analytical chemistry and ecotoxology applied to the emerging pollutants, which guarantees the generation, not only of new scientific knowledge, but also of innovative commercial solutions for the market.

CONSTRUCTION

FCC Construcción fosters an active policy for technological development, while permanently applying innovation to its construction projects, with a firm commitment to research and development, sustainability and the contribution to the Company's quality of life, as competitiveness factors. This innovation policy is coordinated with the other business areas of the FCC Group.

The development and use of innovative technologies to carry out construction projects significantly contribute value added and is a differentiating factor in the current market, which is highly competitive and internationalised.

The main projects developed were as follows:

- **SMARTBLIND.** The objective of this project is to develop an energy-efficient smart window that includes a hybrid film made up of an electrochromic LC film and a PV film both printed on the same long-lasting flexible substrate.

- **IMPACTO CERO.** Project from the European LIFE programme to develop and demonstrate anti-bird strike tubular screens for high-speed rail lines.

- **DOVICAIM.** Aimed at developing an integrated method and the tools required to support the complete life cycle of the construction of vertical docks using prefabricated blocks in a floating dock, including the design, optimisation, construction, installation and operation. The project is focused directly on a clear strategic priority that is the international development of FCC Construcción.

- **SORT-i.** Development of tools based on optical systems and new technologies for the identification, monitoring and Management of structural risks of buildings and infrastructure in an intelligent, automatic and telemetric manner, as a means to maximise safety and minimise the risks of physical damage in high potential situations of structural collapse.

- REWASTEE. Aimed at the industrial validation, market deployment and replication of a developed technology for recycling steelmaking wastes to be used for manufacturing multifunctional building products.
- RS. Rehabilitación Sostenible de Edificios. Performed in cooperation with Córdoba municipal council through Vimcorsa (Viviendas Municipales de Córdoba S.A.) and the Municipal Housing Institute of Málaga municipal council.
- SEIRCO. Smart expert system to assess risks in various construction sector environments.
- SPIA. New high-visibility sign systems. Self-contained luminous system for individual use.
- PRECOIL. New smart collective prevention systems in dynamic linear infrastructure environments.
- SETH. Comprehensive structural monitoring system for buildings based on holistic technologies.
- BOVETRANS. Development of a system of light transition vaults in road tunnels that will take advantage of sunlight, a project in cooperation with the Murcia Demarcation of State Roads, monitored in particular by the Directorate General of Roads.
- APANTALLA. New nanostructured materials with improved electromagnetic radiation shielding properties.
- CEMESMER. New range of cements for stabilising mercury and to achieve a technological breakthrough in treatment processes for mercury-contaminated waste, for its potential recovery for reuse as a construction material.
- NANOMICRO. Based on nanomicrocements and their application in concrete towers for wind farms.
- MERLIN. Based on the development of better local refurbishment of infrastructure. The three latter projects are carried out in cooperation with the Cementos Portland Valderrivas Group.
- NEWCRETE. Concrete for structural use containing a high percentage of recycled aggregates.
- SEA MIRENP. Based on marketable ecoefficient by-products yielded by integrating recycled materials at harbours and ports, the objective of which is to conduct research on the application of construction and demolition waste at port and harbour construction projects.
- AUSCULTACIÓN CONTINUA. Based on the design, development and validation of a distributed continuous auscultation system for building structures in urban environments.
- CETIEB. The project's main objective is the development of innovative solutions for better environmental quality monitoring indoors.
- BUILD SMART. It aims to change buildings to achieve increased energy efficiency, based on the new legislation for 2020.

CEMENTOS PORTLAND VALDERRIVAS

Noteworthy is the successful completion of four projects: CEMESFERAS, HORMIGONES POROSOS, ESCOMBRERAS AND MICROCEMENTOS. As a result of this research, following is a summary of the main results obtained from them:

- New cement materials were designed leaving a lower carbon footprint, promoting sustainable production through natural resources savings and lower greenhouse gas emissions in processes.
- New high-performance porous concrete has been developed to service new applications under the framework of energy efficiency and future road drainage for heavy traffic.

- Research was carried out on ecoefficient cements through fly ash recovery from fossil fuel waste tips.
- A new range of microcements was developed, placing us in the international sphere with regard to this type of special products, earmarked for the restoration of microfissures in dams and soil stabilisation.

The promotion and development of the five other remaining projects also continued; NANOMICRO, CEMESMER, BALLAST, MERLIN and MAVIT, in compliance with the planning of the research work included in the milestones for 2014. Mention should be made of the design and construction of a pilot plant in the MAVIT project, carried out at year-end, which will provide us with a test bench for trials on a range of high value-added projects.

Throughout this process, intellectual property remains a key component in safeguarding the developed technologies. Noteworthy is the approval by the Spanish Patents and Trademarks Office (OEPM) of two new patents this year, thereby increasing Cementos Portland Valderrivas's portfolio.

8. ACQUISITION AND DISPOSAL OF TREASURY SHARES

The FCC Group does not perform any transactions involving treasury shares other than those included in the framework agreement of the Spanish National Securities Market Commission (CNMV) on Liquidity Contracts, which aims to provide the share price with liquidity and depth, in accordance with prevailing legislation.

In December 2014 a 1,000 million euro capital increase was carried out, which entailed the issuance of 133,269,083 new shares, thus increasing the Company's share capital to 260,572,379 shares of one euro par value each. For legal reasons, when the aforementioned transaction was performed, the liquidity contract was suspended on 18 November 2014 and resumed on 22 January 2015.

It is estimated that there will be no impact on the return obtained by shareholders from the Liquidity Contract of the treasury shares, given that their nature and objective contravene the existence thereof, or on the earnings per share of the FCC Group.

At 31 December 2014, the FCC Group held directly and indirectly a total of 232,747 Company shares, representing a mere 0.089% of the share capital.

9. OTHER RELEVANT INFORMATION, STOCK MARKET PERFORMANCE AND OTHER INFORMATION

9.1 Market Performance

Following is a detail of FCC's share performance in 2014 compared to 2013.

	Jan. – Dec. 2014	Jan. – Dec. 2013
Closing price (€)[1]	11.75	11.84
Revaluation	(0.8%)	64.06%
Maximum (€)[1]	15.49	12.50
Minimum (€)[1]	9.54	4.90
Average daily trading volume (nºof shares)	1,331,501	798,280
Average effective volume per day (millions of €)	20.4	9.3
Closing capitalisation (millions of €)	3,062	2,059
No. of shares outstanding at close	260,572,379	127,303,296

(1) The figures relating to FCC's shares in 2013 and 2014 are figures adjusted by the capital increase performed in 2014, amounting to 133.26 million shares.

9.2. Dividends

In accordance with the principle of prudent management and in the best interest of all the Company's shareholders, since December 2012, FCC's Board of Directors has decided not to pay any dividends. This agreement remained unchanged in 2014.

This decision, included in the restructuring in progress over the past two years, the purpose of which is to enhance operating efficiency and strengthen the balance sheet, must be ratified by the shareholders at the General Meeting, which will be held in the first half of 2015.

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INFORME DE AUDITORÍA INDEPENDIENTE DE CUENTAS ANUALES CONSOLIDADAS

A los Accionistas de Fomento de Construcciones y Contratas, S.A.,

Informe sobre las cuentas anuales consolidadas

Hemos auditado las cuentas anuales consolidadas adjuntas de la sociedad Fomento de Construcciones y Contratas, S.A. (en adelante la Sociedad dominante) y sociedades dependientes (en adelante el Grupo), que comprenden el balance de situación consolidado al 31 de diciembre de 2014, la cuenta de pérdidas y ganancias consolidada, el estado de ingresos y gastos consolidado, el estado de cambios en el patrimonio neto consolidado, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio anual terminado en dicha fecha.

Responsabilidad de los administradores en relación con las cuentas anuales consolidadas.

Los administradores de la Sociedad dominante son responsables de formular las cuentas anuales consolidadas adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados de Fomento de Construcciones y Contratas, S.A. y sociedades dependientes, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

Responsabilidad del auditor

Nuestra responsabilidad es expresar una opinión sobre las cuentas anuales consolidadas adjuntas basada en nuestra auditoría. Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la auditoría de cuentas vigente en España. Dicha normativa exige que cumplamos los requerimientos de ética, así como que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable de que las cuentas anuales consolidadas están libres de incorrecciones materiales.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales consolidadas. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de los administradores de la Sociedad dominante de las cuentas anuales consolidadas, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y de la razonabilidad de las estimaciones contables realizadas por la dirección, así como la evaluación de la presentación de las cuentas anuales consolidadas tomadas en su conjunto.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión de auditoría.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Opinión

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de la sociedad Fomento de Construcciones y Contratas, S.A. y sociedades dependientes a 31 de diciembre de 2014, así como de sus resultados consolidados y flujos de efectivo consolidados correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Informe sobre otros requerimientos legales y reglamentarios

El informe de gestión consolidado adjunto del ejercicio 2014 contiene las explicaciones que los administradores de la Sociedad dominante consideran oportunas sobre la situación de Fomento de Construcciones y Contratas, S.A. y sociedades dependientes, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales consolidadas del ejercicio 2014. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de la sociedad Fomento de Construcciones y Contratas, S.A. y sociedades dependientes.

DELOITTE, S.L.

Inscrita en el R.O.A.C. nº S0692

Javier Parada Pardo
27 de febrero de 2015

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES AND SUBSIDIARIES

BALANCE SHEET AS AT 31 DECEMBER 2014 (in thousands of euros)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES

ASSETS	31-12-2014		31-12-2013	
NON-CURRENT ASSETS		4,503,255		3,712,741
Intangible assets (notes 5 and 8)		**111,557**		**150,929**
Property plant and equipment (note 6)		**355,726**	72,516	**354,714**
Land and buildings	70,762		282,198	
Other items of property, plant and equipment	284,964			
Non-current investments in Group companies and associates (notes 10 and 23.b)		**3,745,254**		**2,902,094**
Equity instruments	2,411,364		2,096,844	
Loans to companies	1,133,890		805,250	
Other financial assets	200,000		-	
Non-current financial investments (note 9.a)		**64,608**		**55,243**
Deferred tax assets (note 20)		**195,212**		**220,126**
Non-current trade receivables (note 8)		**30,898**		**29,635**
CURRENT ASSETS		1,665,269		2,042,324
Non-current assets classified as held for sale (note 11)		**225,000**		**378,239**
Inventories		**28,392**		**28,556**
Trade and other receivables		**511,075**		**528,835**
Trade receivables for sales and services (note 12)	410,403		430,578	
Trade receivables from Group companies and associates (note 23-b)	69,852		50,627	
Tax receivables (note 20)	17,755		29,531	
Other receivables	13,065		18,099	
Current investments in Group companies and associates (notes 10-b and 23-b)		**494,374**		**924,573**
Current financial investments (note 9-b)		**14,191**		**15,297**
Cash and cash equivalents		**392,237**		**166,824**
TOTAL ASSETS		6,168,524		5,755,065

The accompanying notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2014.

BALANCE SHEET AS AT 31 DECEMBER 2014 (in thousands of euros)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES

EQUITY AND LIABILITIES	31-12-2014		31-12-2013	
EQUITY (note 14)		245,961		174,542
Shareholders' equity		238,224		169,188
Share capital		260,572		127,303
Registered share capital	260,572		127,303	
Share premium		1,083,882		242,133
Reserves		922,199		922,194
Treasury shares		(5,278)		(6,103)
Prior years' losses		(1,152,254)		(715,759)
Profit (Loss) for the year		(906,473)		(436,494)
Other equity instruments		35,576		35,914
Valuation adjustments		6,118		3,825
Grants, donations and legacies received		1,619		1,529
NON-CURRENT LIABILITIES		4,840,464		532,851
Long-term provisions (note 16)		308,138		252,567
Non-current payables (note 17)		4,172,621		56,651
Debt instruments and other marketable securities	445,975		—	
Bank borrowings	3,709,348		39,353	
Other financial liabilities	17,298		17,298	
Non-current payables to Group companies and associates (note 10-d)		200,774		—
Deferred tax liabilities (note 20)		66,316		87,203
Non-current trade and other payables (note 18)		92,615		136,430

The accompanying notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2014.

BALANCE SHEET AS AT 31 DECEMBER 2014 (in thousands of euros)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES

EQUITY AND LIABILITIES	31-12-2014		31-12-2013	
CURRENT LIABILITIES		1,082,099		5,047,672
Short-term provisions (note 16)		**35,100**		**304**
Current payables (note 17)		**96,733**		**4,113,898**
Debt instruments and other marketable securities	4 ,873		448,012	
Bank borrowings	43,778		3,599,928	
Other financial liabilities	48,082		65,958	
Current payables to Group companies and associates (notes 10-e and 23-b)		**549,903**		**516,082**
Trade and other payables		**400,212**		**416,795**
Payable to suppliers	87,738		102,043	
Payable to suppliers - Group companies and associates (note 23-b)	19,385		17,252	
Other accounts payable to Public Authorities (notes 18 and 20)	159,165		157,448	
Other payables (note 12)	133,924		140,052	
Current accruals and deferred income		**151**		**593**
TOTAL EQUITY AND LIABILITIES		6,168,524		5,755,065

The accompanying notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2014.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of euros)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES

	31-12-2014	31-12-2013
CONTINUING OPERATIONS		
Revenue (note 22)	1,386,681	1,855,416
Sales and services	1,256,101	1,267,713
Revenue from investments in Group companies and associates (notes 22 and 23-a)	22,159	438,465
Financial revenue from marketable securities and other financial instruments of Group companies and associates (notes 10, 22 and 23-a)	108,421	149,238
Procurements	(178,046)	(192,288)
Other operating income	77,769	61,732
Staff costs (note 22)	(783,459)	(817,997)
Other operating expenses	(191,807)	(180,254)
Depreciation and amortisation charge (notes 5 and 6)	(76,483)	(83,314)
Allocation to the income statement of grants related to non-financial non-current assets and other grants (note 14-g)	261	251
Excessive provisions (note 16)	8,616	14,256
Impairment and gains or losses on disposals of non-current assets and other gains or losses (note 22)	(67,083)	(4,051)
PROFIT (LOSS) FROM OPERATIONS	176,449	653,751

The accompanying notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2014.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of euros)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES

	31-12-2014	31-12-2013
Finance income (note 22)	136,529	4,507
Finance costs	(321,614)	(274,655)
On debts to Group companies and associates (note 23-a)	(16,434)	(26,406)
On debts to third parties	(296,752)	(243,336)
nterest cost relating to provisions	(8,428)	(4,913)
Changes in fair value of financial instruments (note 13)	9,370	18,344
Exchange rate differences	7,841	(2,206)
Impairment and gains or losses on disposals of financial instruments (notes 10 and 11)	(904,528)	(869,809)
FINANCIAL PROFIT (LOSS)	(1,072,402)	(1,123,819)
PROFIT (LOSS) BEFORE TAX	(895,953)	(470,068)
INCOME TAX (note 20)	(10,520)	33,574
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(906,473)	(436,494)
PROFIT (LOSS) FOR THE YEAR	(906,473)	(436,494)

The accompanying notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2014.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES

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

	31-12-2014	31-12-2013
Profit (Loss) per income statement	**(906,473)**	**(436,494)**
Income and expense recognised directly in equity		
Arising from available-for-sale financial assets	—	52
Arising from cash flow hedges	(1,574)	(795)
Grants, donations and legacies received	237	—
Tax effect	472	238
Income and expense recognised directly in equity	**(865)**	**(505)**
Transfers to the income statement		
Arising from cash flow hedges	5,014	36,845
Grants, donations and legacies received	(261)	(251)
Tax effect	(1,506)	(10,990)
Total transfers to the income statement	**3,247**	**25,604**
TOTAL RECOGNISED INCOME AND EXPENSE	(904,091)	(411,395)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES

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

	Share capital (note 14.a)	Share premium (note 14.b)	Reserves (note 14.c)	Treasury shares (note 14.d)	Prior years' losses	Profit (Loss) for the year	Other equity instruments (note 14.e)	Valuation adjustments (note 13 and14.f)	Grants (note 14.g)	Equity
Equity at 31 December 2012	127,303	242,133	963,000	(90,228)		(715,759)	35,914	(21,462)	1,717	542,618
Total recognised income and expense						(436,494)		25,287	(188)	(411,395)
Transactions with shareholders and owners			(40,806)	84,125						43,319
Treasury share transactions (net)			(40,806)	84,125						43,319
Other changes in equity					(715,759)	715,759				
Equity at 31 December 2013	127,303	242,133	922,194	(6,103)	(715,759)	(436,494)	35,914	3,825	1,529	174,542
Total recognised income and expense						(906,473)		2,293	89	(904,091)
Transactions with shareholders and owners	133,269	841,749	5	825						975,848
Capital increases	133,269	841,749								975,018
Treasury share transactions (net)			5	825						830
Other changes in equity					(436,494)	436,494	(338)			(338)
Equity at 31 December 2014	260,572	1,083,882	922,199	(5,278)	(1,152,254)	(906,473)	35,576	6,118	1,619	245,961

The accompanying notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2014. In particular, note 14, "Equity" explains this statement.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of euros)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES

	31-12-2014		31-12-2013	
Profit (Loss) for the year before tax		**(895,953)**		**(470,068)**
Adjustments to profit (loss)		**1,070,355**		**622,415**
Depreciation and amortisation charge (notes 5 and 6)	76,483		83,314	
Impairment losses (note 10)	893,523		925,104	
Changes in provisions (note 16)	62,959		11,455	
Gains/Losses on derecognition and disposal of financial instruments (note 10-a)	—		(63,094)	
Finance income (note 22)	(267,109)		(592,210)	
Finance costs	321,616		274,654	
Other adjustments	(17,117)		(16,808)	
Changes in working capital		**(38,079)**		**210,905**
Trade and other receivables	(3,268)		123,542	
Trade and other payables	(37,162)		89,055	
Other current assets and liabilities	2,351		(1,692)	
Other cash flows from operating activities		**(225,596)**		**230,239**
Interest paid	(205,053)		(267,553)	
Interest and dividends received	98,931		538,336	
Income tax recovered/(paid) (note 20)	(116,251)		(38,203)	
Other amounts received (paid)	(3,223)		(2,341)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		(89,273)		593,491
Payments due to investments		**(405,339)**		**(1,005,184)**
Group companies and associates (note 10)	(317,039)		(945,609)	
Intangible assets and property, plant and equipment (notes 5 and 6)	(70,523)		(53,214)	
Other financial assets	(17,777)		(6,361)	
Proceeds from disposals		**70,211**		**611,018**
Group companies and associates (note 10)	2,356		590,281	
Intangible assets and property, plant and equipment (notes 5 and 6)	5,928		3,698	
Non-current assets classified as held for sale (note 11)	49,000		—	
Other financial assets	12,927		17,039	
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		(335,128)		(394,166)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of euros)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES

	31-12-2014		31-12-2013	
Proceeds and payments relating to equity instruments		**996,423**		**43,743**
Proceeds from issue of equity instruments (note 14-a)	975,018		—	
Disposal of treasury shares	141,805		161,924	
Purchase of treasury shares	(140,974)		(118,606)	
Other proceeds and/or payments relating to equity instruments	20,574		425	
Proceeds and payments relating to financial liability instruments (note 17)		**(346,609)**		**(242,806)**
Proceeds from issue of:				
Bank borrowings	276,455		20,501	
Borrowings from Group companies and associates	154,101		1,992	
Other borrowings	32,040		6,886	
Repayment and redemption of:				
Debt instruments and other marketable securities	(4,398)		—	
Bank borrowings (note 17)	(772,780)		(26,263)	
Borrowings from Group companies and associates	—		(236,014)	
Other borrowings	(32,027)		(9,908)	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		649,814		(199,063)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		225,413		262
Cash and cash equivalents at beginning of year		**166,824**		**166,562**
Cash and cash equivalents at end of year		**392,237**		**166,824**

The accompanying notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES

1. COMPANY ACTIVITIES

Fomento de Construcciones y Contratas, S.A. is a company incorporated in Spain in accordance with the Spanish Limited Liability Companies Law, the core business of which is to provide Environmental Services, which include the collection and treatment of solid waste and the cleaning of public streets and sewer systems, and Integral Water Management, which includes water treatment and distribution and other complementary services. The Company's registered office is at c/ Balmes, 36 (Barcelona) and it carries on its activities basically in Spain.

Fomento de Construcciones y Contratas, S.A. is in turn Parent of the FCC Group, which comprises a broad spectrum of Spanish and foreign subsidiaries and associates that carry on various business activities grouped together in the following areas:

- Environmental Services. Services related to urban water treatment, treatment of industrial waste and waste-to-energy (waste recovery).

- Integral Water Management. Services related to the integral water cycle: collection, treatment and distribution of water for human consumption; wastewater collection, filtering and treatment; design, construction, operation and maintenance of water infrastructure for municipal, industrial, agricultural and other services.

- Construction. This area specialises in infrastructure construction projects, building construction and related activities, such as motorways, dual carriageways and other roads, tunnels, bridges, hydraulic construction works, ports, airports, residential property developments, housing units, non-residential building construction, lighting, industrial air conditioning and heating systems, environmental restoration, etc.

- Cement. This area engages in the operation of quarries and mineral deposits, the manufacture of cement, lime, plaster and related pre-manufactured products and the production of concrete.

As part of the process initiated in prior years by the FCC Group to sell its non-core assets, in 2014 the sale of the Energy Area was completed (see note 11). Also, the Company decided not to sell its ownership interest in Realia Business, S.A., because, following the capital increase, the investment and divestment plan is currently being revised.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements, which were prepared from the accounting records of Fomento de Construcciones y Contratas, S.A. and the joint ventures in which it has interests, were prepared in accordance with the Spanish Commercial Code, Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Spanish Limited Liability Companies Law, and Royal Decree 1514/2007 which introduced the Spanish National Chart of Accounts. Also included were all the accounting principles and rules contained in the legislative amendments established by Royal Decree 1159/2010, of 17 September, on industry plans, including Order EHA/3362/2010 implementing the Spanish National Chart of Accounts adapted for public infrastructure concession operators, and the applicable mandatory rules, resolutions and recommendations of the Spanish Accounting and Audit Institute (ICAC) and, accordingly, they present fairly the Company's equity, financial position, results and cash flows for 2014. It should be noted that, as a result of the publication in 2009 by the ICAC of a request for a ruling regarding the presentation for accounting purposes of the income of holding companies, "Revenue from Investments in Group Companies and Associates" and "Financial Revenue from Marketable Securities and Other Financial Instruments of Group Companies and Associates" are classified under "Revenue" in the accompanying income statement.

These financial statements, which were formally prepared by the Company's Directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2013 were approved by the shareholders at the Annual General Meeting held on 23 June 2014.

The financial statements are expressed in thousands of euros.

Unincorporated temporary joint ventures and similar entities

The balance sheets, income statements, statements of changes in equity and statements of cash flows of the unincorporated temporary joint ventures (JVs) in which the Company has interests were proportionately consolidated on the basis of the Company's percentage of ownership of each joint venture.

The JVs were included by making the required timing and measurement uniformity adjustments, reconciliations and reclassifications and by eliminating reciprocal asset and liability balances and income and expenses. Any material amounts relating to the JVs are detailed in these notes to the financial statements.

The accompanying balance sheet and income statement include the related items in proportion to the percentages of ownership of the joint ventures, the detail being as follows:

	2014	2013
Revenue	205,454	188,732
Profit (Loss) from operations	19,869	19,512
Non-current assets	126,633	152,358
Current assets	252,957	230,737
Non-current liabilities	52,184	61,451
Current liabilities	299,384	294,432

Appendix II lists the joint ventures and indicates the percentage share of their results.

Grouping of items

Certain line items in the balance sheet, income statement and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

Consolidated financial statements

Since Fomento de Construcciones y Contratas, S.A. is the head of the FCC Group, its Directors are obliged under current legislation to prepare consolidated financial statements separately. The aforementioned consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, as well as all the provisions and interpretations implementing it. The consolidated financial statements of the FCC Group for 2014, which were prepared by the Directors, will also be submitted for approval by the shareholders at the Annual General Meeting.

The consolidated financial statements of Fomento de Construcciones y Contratas, S.A. prepared in conformity with International Financial Reporting Standards (IFRSs) present total assets of EUR 14,023 million (31 December 2013: EUR 15,632 million) and equity attributable to the Company's shareholders of EUR 272 million (31 December 2013: EUR 3 million). In addition, consolidated sales amounted to EUR 6,334 million (31 December 2013: EUR 6,750 million). Lastly, the consolidated loss attributable to the Parent amounted to EUR 724 million (31 December 2013: a loss of EUR 1,506 million).

3. DISTRIBUTION OF PROFIT OR LOSS

The Directors of Fomento de Construcciones y Contratas, S.A. will submit for approval by the shareholders at the Annual General Meeting the allocation of the loss for 2014, amounting to EUR 906,473 thousand, to "Prior Years' Losses".

In addition, in 2013 the Company incurred a loss of EUR 436,494 thousand, which was also allocated to "Prior Years' Losses".

4. ACCOUNTING POLICIES

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2014, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible assets

The concession arrangements are recognised in accordance with Ministry of Economy and Finance Order EHA/3362/2010 approving the rules for adapting the Spanish National Chart of Accounts for public infrastructure concession operators. In general, there are two clearly different phases:

- The first in which the concession operator provides construction or upgrade services which are recognised as intangible or financial assets in accordance with recognition and measurement standard 14, Income from Sales and Services of the Spanish National Chart of Accounts and the rules on the percentage of completion method contained in measurement standard 18, Sales, Income from Completed Work and Other Income of the rules for adapting the Spanish National Chart of Accounts for construction companies;
- And a second phase in which the concession operator provides a series of maintenance or operation services for the related infrastructure, which are recognised in accordance with recognition and measurement standard 14, Income from Sales and Services of the Spanish National Chart of Accounts.

An intangible asset is recognised when the demand risk is borne by the concession operator and a financial asset is recognised when the demand risk is borne by the concession grantor since the operator has an unconditional contractual right to receive cash for the construction or upgrade services. In certain bifurcated arrangements, the operator and the grantor may share the demand risk, although this is practically non-existent at the Company.

For concessions classified as intangible assets, provisions for dismantling, removal and restoration and any work to upgrade the infrastructure or increase its 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 interest cost relating to the provisions are recognised in the income statement. Also, provisions to replace and repair the infrastructure are systematically recognised in the income statement as the obligation is incurred.

In addition, the borrowing costs arising from the financing of the infrastructure incurred from the construction until the entry into service of the infrastructure are included in the initial recognition of the intangible asset. When the infrastructure is ready to come into operation, the aforementioned costs are capitalised if they meet the requirements under the related rules, provided that there is reasonable evidence that future revenue will enable the capitalised amount to be recovered.

These intangible assets are amortised on the basis of the demand for, or the use of, the infrastructure, taken to be the changes in and best estimates of the production units of each activity.

Concessions classified as a financial asset are recognised at the fair value of the construction or upgrade services provided. In accordance with the amortised cost method, the related finance income is recognised as revenue in the income statement based on the effective interest rate resulting from the expected cash inflows and outflows of the concession. The borrowing costs arising from the financing of these assets are classified under “Finance Costs” in the income statement. As explained above, the income and expenses from the provision of maintenance and operation services are recognised in the income statement in accordance with recognition and measurement standard 14, Income from Sales and Services of the Spanish National Chart of Accounts.

Other intangible assets, concessions and software, among other items, are recognised at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. At 2014 year-end there were no indications that any of the Company’s intangible assets had suffered an impairment loss. The Company does not own any assets with indefinite useful lives.

In accordance with Order EHA/3362/2010 mentioned in the previous point, “Intangible Assets - Concessions” in the balance sheet includes the charges paid for the award of the concession arrangements.

Computer software maintenance costs are recognised in the income statement for the year in which they are incurred.

As a general rule, intangible assets are amortised on a straight-line basis over their years of useful life.

b) Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost if the Company has performed in-house work thereon and are subsequently reduced by the related accumulated depreciation and by any impairment losses. At 31 December 2014, there was no indication that any of the items of the Company's property, plant and equipment had suffered an impairment loss and, therefore, since the recoverable amount of the assets is higher than or the same as their carrying amount, no impairment losses were recognised in this connection.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Non-current assets that necessarily take a period of more than twelve months to get ready for their intended use include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other funds borrowed specifically or generally directly attributable to the acquisition or production of the assets.

In-house work on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined on the basis of in-house materials consumption, direct labour and general manufacturing costs).

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Years of estimated useful life
Buildings and other structures	25 - 50
Plant and machinery	5 – 15
Other fixtures, tools and furniture	8 – 12
Other items of property, plant and equipment	4 - 10

However, certain contracts have terms shorter than the useful life of the related non-current assets, in which case they are depreciated over the contract term.

c) Impairment of intangible assets and property, plant and equipment

Whenever there are indications of impairment of assets with a finite useful life (i.e. all the Company's intangible assets and property, plant and equipment), the Company tests the tangible and intangible assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. To determine the recoverable amount of the assets tested for impairment, an estimate is made of the present value of the net cash flows arising from the cash-generating units (CGUs) to which the assets belong, and to discount the cash flows, a pre-tax discount rate is applied that reflects current market assessments of the time value of money and the risks specific to each cash-generating unit.

Where an impairment loss on assets subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the value that would have been determined had no impairment loss been recognised for in prior years. The reversal of the impairment loss is recognised as income in the income statement.

d) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

d.1) Finance leases

In finance leases in which the Company acts as the lessee, the cost of the leased assets is presented in the balance sheet, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount is the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option, when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the income statement for the year in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the period in which it is incurred.

On expiry of the leases, the Company exercises 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 transactions of this nature are depreciated on the basis of their nature and useful lives using criteria similar to those applied to items of property, plant and equipment taken as a whole.

There are no finance leases in which the Company acts as lessor.

d.2) Operating leases

When the Company acts as the lessee, it charges the expenses from operating leases to income on an accrual basis.

When the Company acts as the lessor, lease income and expenses from operating leases are recognised in income on an accrual basis. Also, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the investments arising from the lease agreements directly attributable to the lease, which are recognised as an expense over the term of such agreements, applying the same method as that used to recognise lease income.

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.

e) Financial instruments

e.1) Financial assets

Classification

The financial assets held by the Company are classified in the following categories:

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.
- Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.
- Held-for-trading financial assets: assets acquired with the intention of selling them in the near term and assets that form part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking. This category also includes financial derivatives that are not financial guarantees and that have not been designated as hedging instruments.
- Other financial assets at fair value through profit or loss: this category includes the financial assets thus designated by the Company upon initial recognition, because either their designation as such eliminates or significantly reduces accounting mismatches or those assets form part of a group whose performance is evaluated by Company management on a fair value basis, in accordance with an established and documented strategy.
- Equity investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other investors.

- Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

These financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs, except for held-for-trading assets and investments in Group companies affording control, the costs of which are recognised directly in the income statement.

Subsequent measurement

- Loans and receivables and held-to-maturity investments are measured at amortised cost.

- Held-for-trading financial assets and those classified as at fair value through profit or loss are measured at fair value and the gains and losses arising from changes in fair value are recognised in the income statement for the year.

- Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity (consolidated, as the case may be) of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

- Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement for the year, or if it is determined that it has become impaired, once the pre-existing gains in equity have been derecognised, they are taken to the income statement.

At least at each reporting date the Company makes valuation adjustments to financial assets not measured at fair value through profit or loss where there is objective evidence of impairment if the value is less than the carrying amount, in which case the impairment loss is recognised in the income statement. In particular, the Company calculates valuation adjustments relating to trade and other receivables by taking into account the specific insolvency risk of each account receivable.

The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales, "factoring" of trade receivables in which the Company does not retain any credit or interest rate risk, provide any kind of guarantee or assume any other kind of risk. These transactions bear interest at market rates and the factor assumes the risk of insolvency and late payment of the debtor. Fomento de Construcciones y Contratas, S.A. continues to manage collection.

e.2) Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are recognised initially at the fair value of the consideration received. These 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 financial instrument to the extent that they are not settled in the year in which they arise.

Bank borrowings and other current and non-current financial liabilities maturing within no more than twelve months from the balance sheet date are classified as current liabilities and those maturing within more than twelve months as non-current liabilities. The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

e.3) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and the securities issued are recognised in equity at the proceeds received, after deducting issue costs net of taxes.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the income statement.

e.4) Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Basically, these risks relate to changes in interest rates and the market prices of certain financial instruments. The Company arranges hedging financial instruments in this connection (see note 13).

In order for these financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Company verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item.

The Company uses cash flow hedges. In hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the income statement in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the initial cost of the asset or liability when it is acquired or assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the year.

Although certain derivatives are not recognised as hedges, this is only for accounting purposes since for financial and management purposes all the hedges arranged by the Company have, at inception, an underlying financial transaction and the sole purpose of hedging such transaction.

Derivatives do not qualify for hedge accounting if the hedge fails the effectiveness test, which requires the changes in the fair value or in the cash flows of the hedged item directly attributable to the risk of the instrument to be offset by changes in the fair value or in the cash flows of the hedging instrument. When this does not occur, the changes in fair value of the instruments not classified as hedges are recognised in the income statement.

The financial derivatives are measured by experts on the subject using generally accepted methods and techniques. These experts were independent from the Company and the entities financing it.

f) Inventories

Inventories are measured at the lower of acquisition or production cost and net realisable value. Trade discounts, rebates, other similar items and interest included in the face value of the related payables are deducted in determining the costs of purchase.
Assets received in payment of loans are measured at the lowest of the following three values: the amount at which the loan relating to the asset was recognised, production cost and net realisable value.

Production cost includes the costs of direct materials and, where applicable, direct labour and production overheads.

Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The Company recognises the appropriate write-downs as an expense in the income statement when the net realisable value of the inventories is lower than acquisition or production cost.

g) Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the income statement in the year in which they arise.

h) Income tax

The income tax expense is calculated on the basis of profit before tax, increased or decreased, as appropriate, by the permanent differences between taxable profit and accounting profit. Based on the legislation applicable to the Company, the corresponding tax rate is applied to this adjusted accounting profit. Any tax relief and tax credits earned in the year are then deducted and any positive or negative differences between the tax charge estimated for the previous year's accounting close and the amount of tax subsequently paid are added to or deducted from, respectively, the resulting tax charge. Also, the adjustment of the deferred tax assets and liabilities due to changes in the tax rate in force are similarly recognised as an income tax expense.

The temporary differences between the accounting profit and the taxable profit for income tax purposes, together with the differences between the carrying amounts of assets and liabilities recognised in the balance sheet and their tax bases give rise to deferred taxes which 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 reverse, and in no circumstances are they discounted to present value.

The Company recognises 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 or those which are expected to be recovered in a period exceeding ten years.

i) Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

The Company recognises each year as the period result on its contracts the difference between period production (measured at the selling price of the service provided during the period, as specified in the principal contract or in approved amendments thereto, and the selling price of other as yet unapproved services for which there is reasonable assurance of collection) and the costs incurred. Additionally, late-payment interest is recognised as income when it is approved or finally collected.

The difference between the amount of production and the amount billed until the date of the financial statements is recorded as "Unbilled Production" under "Trade Receivables for Sales and Services". Pre-billings for various items are recognised under "Current Liabilities – Trade and Other Payables – Customer Advances".

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

In accordance with the accounting principle of prudence, the Company only records realised income at year-end, whereas foreseeable contingencies and losses, including possible losses, are recognised as soon as they become known, by recording the appropriate provisions.

j) Provisions and contingencies

The Company recognises provisions on the liability side of the accompanying balance sheet for present obligations arising from past events which the Company considers will probably require an outflow of resources embodying economic benefits to settle them on maturity.

These provisions are recognised when the related obligation arises and the amount recognised is the best estimate at the date of the accompanying financial statements of the present value of the future expenditure required to settle the obligation. The change in the year relating to the discount to present value is recognised as interest cost in the income statement.

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. The impact on income arises when the asset concerned is depreciated (as described in previous sections of this note) and when the provisions are discounted to present value (as described in the preceding paragraph).

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

It should be noted that contingent liabilities due to possible obligations that arise from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control, are not recognised in the financial statements as the probability that such obligation will have to be settled is remote.

k) Environmental assets and liabilities

As indicated in note 1, the Company engages mainly in Environmental Services and Integral Water Management activities which, due to their nature, involve special care in controlling environmental impact. For example, with regard to the operation under concession of landfills, the Company is generally responsible for the sealing, control and reforestation thereof upon completion of its operations. Also, the Company has non-current assets for the protection of the environment and bears any costs required for this purpose in the performance of its business activities.

The acquisition costs of these non-current assets used in environmental conservation are recognised under "Property, Plant and Equipment" or "Intangible Assets" based on the nature of the investment, and are depreciated or amortised over the useful lives of the assets or on the basis of the demand for or the use of the infrastructure in the service concession arrangements. Also, in accordance with current accounting legislation, the Company recognises the expenses and provisions arising from its environmental obligations.

The Company's environmental policy goes beyond strict compliance with current legislation in the area of environmental improvement and protection to include the establishment of preventative planning and the analysis and minimisation of the environmental impact of the activities carried on by it.

Company management considers that the possible contingencies relating to environmental protection and improvement at 31 December 2014 would not have a significant impact on the accompanying financial statements, which include provisions to cover any probable environmental risks that might arise.

l) Pension obligations

The Company has not established any pension plans to supplement the social security pension benefits. In accordance with the Consolidated Pension Plan and Fund Law, in specific cases where similar obligations exist, the Company externalises its obligations to its employees in this connection.

In addition, following authorisation by the Executive Committee, in the past an insurance policy was arranged and the premium paid to cover the payment of benefits relating to death, permanent occupational disability, retirement bonuses and pensions and other situations for, among other employees, certain Executive Directors and Executives. In particular, the contingencies giving rise to benefits are those which entail the extinguishment of the employment relationship for any of the following reasons:

- Unilateral decision of the Company.
- Dissolution or disappearance of the Parent for whatever cause, including merger or spin-off.
- Death or permanent disability.
- Other causes of physical or legal incapacity.
- Substantial change in professional terms and conditions.
- Resignation of the executive on reaching 60 years of age, at the request of the executive and with the consent of the Company.
- Resignation of the executive on reaching 65 years of age, by unilateral decision of the executive.

The contributions made by the Company in this connection are recognised under "Staff Costs" in the income statement.

m) Grants

The Company accounts for grants received as follows:

m.1) Non-refundable grants

These are measured at the amount received or the fair value of the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders, which are recognised directly in equity.

m.2) Grants related to income

Grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

n) Use of estimates

In preparing the accompanying financial statements estimates were made by the Company's Directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The recoverability of deferred tax assets (see note 20).
- The recoverability of the investments in Group companies and associates, and of any loans to or receivables from those companies (see note 10).
- The evaluation of possible impairment losses on certain assets (see note 4-c).
- The useful life of intangible assets and property, plant and equipment (see notes 4-a and 4-b).
- The market value of certain financial instruments (see note 13).
- The calculation of certain provisions (see notes 4-j and 16).
- The market value of non-current assets classified as held for sale (see note 11).

Although these estimates were made on the basis of the best information available at 31 December 2014, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively.

ñ) Related party transactions

The Company performs all its transactions with related parties on an arm's length basis.

Note 23, "Related Party Transactions and Balances" details the main transactions with the significant shareholders of the Company, its Directors and Senior Executives and between Group companies.

o) Non-current assets and associated liabilities classified as held for sale

The Company classifies assets under "Non-Current Assets Classified as Held for Sale" if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

The associated liabilities are classified under "Liabilities Associated with Non-Current Assets Classified as Held for Sale".

5. INTANGIBLE ASSETS

The changes in "Intangible Assets" in the accompanying balance sheet in 2014 and 2013 were as follows:

	Concession arrangements	Concessions	Computer software	Other intangible assets	Accumulated amortisation	Impairment	Total
Balance at 31-12-12	188,446	42,683	30,155	15,401	(107,201)	—	169,484
Additions or charge for the year	2,324	4,376	11,267	2,731	(13,229)	—	7,469
Disposals or reductions	(627)	—	(6)	—	18	—	(615)
Transfers	(25,383)	—	261	195	(482)	—	(25,409)
Balance at 31-12-13	164,760	47,059	41,677	18,327	(120,894)	—	150,929
Additions or charge for the year	1,372	—	3,940	789	(12,923)	(3,223)	(10,045)
Disposals or reductions	(7,186)	(21,013)	(888)	(204)	841	—	(28,450)
Transfers	—	431	65	(2,532)	1,159	—	(877)
Balance at 31-12-14	158,946	26,477	44,794	16,380	(131,817)	(3,223)	111,557

The most significant change in "Concession Arrangements" was the decrease of EUR 5,609 thousand relating to the integral water supply and cleaning management concession in Lleida, operated through a JV, the 50% ownership interest in which was transferred to the other venturer, the wholly-owned investee FCC Aqualia, S.A. The most significant change in 2013 was the transfer to "Non-Current Trade Receivables - Concession Arrangements, Receivables" of the urban solid waste treatment plant in Manises (Valencia).

"Concessions", which relates mainly to businesses carried on through JVs, includes primarily the amounts paid for obtaining the water supply and urban cleaning concessions. The most significant change in 2014 was the decrease of EUR 20,467 thousand relating to the concession indicated in the preceding paragraph. Noteworthy in 2013 were the EUR 4,376 thousand relating to the award of the integral urban cleaning service in the municipality of Alicante.

The balance of "Computer Software" relates mainly to the implementation, development and improvement costs of the corporate information system.

The detail of the intangible assets and of the related accumulated amortisation at 31 December 2014 and 2013 is as follows:

	Cost	Accumulated amortisation	Impairment	Net
2014				
Concession arrangements	158,946	(81,443)	(3,223)	74,280
Concessions	26,477	(18,411)	—	8,066
Computer software	44,794	(21,076)	—	23,718
Other intangible assets	16,380	(10,887)	—	5,493
	246,597	(131,817)	(3,223)	111,557
2013				
Concession arrangements	164,760	(74,995)	—	89,765
Concessions	47,059	(19,125)	—	27,934
Computer software	41,677	(17,172)	—	24,505
Other intangible assets	18,327	(9,602)	—	8,725
	271,823	(120,894)	—	150,929

Of the net amount of intangible assets, EUR 40,858 thousand relate to assets used in joint ventures (31 December 2013: EUR 73,382 thousand).

At the reporting date, all the intangible assets were used in the various production processes. However, a portion of these intangible assets, basically computer software amounting to EUR 21,818 thousand, had been fully amortised (31 December 2013: EUR 20,360 thousand), while the amounts relating to JVs were not material.

At 31 December 2014, the Company did not have any intangible assets located outside Spain.

6. PROPERTY, PLANT AND EQUIPMENT

The changes in "Property, Plant and Equipment" in the accompanying balance sheet in 2014 and 2013 were as follows:

		Other items of property, plant and equipment			
	Land and buildings	Plant and other items of property, plant and equipment	Property, plant and equipment in the course of construction and advances	Accumulated depreciation	Total
Balance at 31-12-12	100,626	896,253	14,885	(614,173)	397,591
Additions or charge for the year	3,268	23,303	4,647	(70,084)	(38,866)
Disposals or reductions	—	(27,741)	(7)	23,674	(4,074)
Transfers	2,412	10,166	(12,515)	—	63
Balance at 31-12-13	106,306	901,981	7,010	(660,583)	354,714
Additions or charge for the year	4,281	58,578	4,577	(63,561)	3,875
Disposals or reductions	(7,053)	(48,195)	(27)	50,009	(5,266)
Transfers	3,312	5,631	(4,872)	(1,668)	2,403
Balance at 31-12-14	106,846	917,995	6,688	(675,803)	355,726

The main changes in "Property, Plant and Equipment" relate to assets associated with the services and water concession arrangements operated by the Company.

The detail of the property, plant and equipment and of the related accumulated depreciation at 31 December 2014 and 2013 is as follows:

	Cost	Accumulated depreciation	Net
2014			
Land and buildings	106,846	(36,084)	70,762
Plant and other items of property, plant and equipment	917,995	(639,719)	278,276
Property, plant and equipment in the course of construction and advances	6,688	—	6,688
	1,031,529	(675,803)	355,726
2013			
Land and buildings	106,306	(33,790)	72,516
Plant and other items of property, plant and equipment	901,981	(626,793)	275,188
Property, plant and equipment in the course of construction and advances	7,010	—	7,010
	1,015,297	(660,583)	354,174

The Company owns buildings, the value of which, net of depreciation, and that of the land, were as follows at year-end:

	2014	2013
Land	26,017	26,097
Buildings	44,745	46,419
	70,762	72,516

Of the net amount of property, plant and equipment, EUR 51,433 thousand relate to assets used in joint ventures (31 December 2013: EUR 45,618 thousand).

In 2014 and 2013 the Company did not capitalise any borrowing costs to "Property, Plant and Equipment".

At 2014 year-end the Company held various items of property, plant and equipment under finance leases (see note 7).

At the reporting date, all the items of property plant and equipment were used in the various production processes. However, a portion of these assets amounting to EUR 351,834 thousand, was fully depreciated (31 December 2013: EUR 347,168 thousand), of which EUR 14,192 thousand were recognised under "Buildings" (31 December 2013: EUR 13,081 thousand) while the amounts relating to JVs were not material.

At 31 December 2014, the Company did not have any significant investments in property, plant and equipment abroad. Similarly, it did not have any significant firm property, plant and equipment purchase commitments.

The Company's property, plant and equipment subject to restrictions on title relate mainly to assets held under finance leases.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2014 year-end the property, plant and equipment were fully insured against these risks.

7. LEASES

a) Finance leases

The Company has recognised assets leased under leases with basically a maximum term of five years and, in general, lease payments payable in arrears. Consequently, the present value of the payments does not differ significantly from their face value. The leased assets include notably the trucks and machinery used in the waste collection and cleaning services provided by the Company.

The detail of the finance leases in force at the end of 2014 and 2013 are as follows:

	2014	2013
Carrying amount	**23,661**	**24,761**
Accumulated depreciation	8,284	6,656
Cost of the assets	**31,945**	**31,417**
Finance costs	3,220	2,962
Capitalised cost of the assets	**35,165**	**34,379**
Lease payments paid in the year	(5,899)	(7,061)
Lease payments paid in prior years	(11,652)	(8,237)
Lease payments outstanding, including purchase option	**17,614**	**19,081**
Unaccrued finance charges	(1,175)	(1,021)
Present value of lease payments outstanding, including purchase option	**16,439**	**18,060**
Contract term (years)	3 to 5	2 to 5
Value of purchase options	223	223

The payment dates of the outstanding lease payments of the committed payments are shown in note 17.

The finance leases arranged by the Company do not include lease payments the amount of which must be determined on the basis of future economic events or indices and, accordingly, in 2014 no expense was incurred in connection with contingent rent.

b) Operating leases

The Company makes operating lease payments basically for the use of buildings and structures relating to the Central Services offices in Madrid and Barcelona, and for the leases of premises and industrial buildings used by the Company as offices, warehouses, changing rooms and garages in the course of its activities.

The amount relating to the aforementioned leases in 2014 totalled EUR 39,842 thousand (31 December 2013: EUR 42,395 thousand).

Also worthy of note among the operating lease agreements entered into by Fomento de Construcciones y Contratas, S.A. due to the magnitude of the sums involved are those relating to the corporate headquarters of the FCC Group:

- Office buildings located at Federico Salmón, 13, Madrid and Balmes, 36, Barcelona. On 29 December 2011, the owners of these buildings and Fomento de Construcciones y Contratas, S.A. entered into two lease agreements relating thereto for a minimum period of 30 years, extendable for two five-year periods at the discretion of the Company, with an initial annual rent adjustable based on the CPI. These buildings were transferred by the Company to their current owners under a sale and leaseback agreement. The owners, in turn, granted a purchase option to Fomento de Construcciones y Contratas, S.A., which can be exercised only at the end of the lease term at the higher of fair value and the CPI-adjusted selling price.

- Office building located in Las Tablas (Madrid). On 19 December 2010, the owner and the Company entered into an agreement to lease the aforementioned building, the lease period commencing once construction of the building had been completed on 23 November 2012. The term of this lease is 18 years, extendable at the Company's discretion by two five-year periods, each with an annual rent adjustable each year based on the CPI.

At 2014 year-end there were non-cancellable future committed payments in relation to the aforementioned items amounting to EUR 355,095 thousand (2013: EUR 325,008 thousand). The detail, by maturity, of the non-cancellable future minimum payments at 31 December 2014 and 2013 is as follows:

	2014	2013
Within one year	34,081	27,999
Between one and five years	104,314	89,035
After five years	216,700	207,974
	355,095	325,008

As the lessor in leases the Company bills the FCC Group investees on the basis of the use they make of the related properties and recognises these amounts as operating income.

8. SERVICE CONCESSION ARRANGEMENTS

This note presents an overview of the Company's investments in concession businesses, mainly Environmental Services and Integral Water Management, which are recognised within the following balance sheet line items: intangible assets for the concessions classified as intangible assets and non-current and current trade receivables for the concessions classified as financial assets (see note 4-a.1).

The following table details, by asset class and concession activity, the total amount of the assets held by the Company under service concession arrangements.

	Environmental Services	Integral Water Management	Total
2014			
Intangible assets	54,568	19,712	74,280
Financial assets	31,641	—	31,641
	86,209	19,712	105,921
2013			
Intangible assets	57,621	32,144	89,765
Financial assets	32,521	—	32,521
	90,142	32,144	122,286

The detail of the Company's most significant service concession arrangements is as follows:

a) Intangible assets

- El Campello urban solid waste treatment plant. Construction and operation of the El Campello (Alicante) Integrated Urban Solid Waste Centre. It was granted to the Company in 2003 and the construction phase was completed in November 2008, when the initial operation phase of 20 years began, which was subsequently extended to 21 years and 9 months. The net assets relating to the aforementioned arrangement total EUR 40,955 thousand (31 December 2013: EUR 43,196 thousand).
- Integrated management of the municipal water supply and sewerage service of Vigo. Grant to the Aqualia-FCC-Vigo joint venture (50% Fomento de Construcciones y Contratas, S.A. and 50% FCC Aqualia, S.A., wholly owned by the Company) of the operation of the concession, including investments for the extension, renovation and/or upgrade of the existing infrastructures that the grantor placed at the disposal of the joint venture. It was granted in 1991 for an initial term of 25 years, extendible for five-year periods up to a maximum legal term of 50 years. The grantor extended the concession in 2011 for an additional five years until 2020. The net assets relating to the aforementioned arrangement total EUR 17,670 thousand (31 December 2013: EUR 20,916 thousand).

b) Financial assets

- Urban solid waste treatment plant in Manises (Valencia).
  Grant to the Gestión Instalación III joint venture (in which Fomento de Construcciones y Contratas, S.A. holds a 34.99% interest) for the construction and operation of the urban solid waste management system of certain areas of the province of Valencia. It was granted in 2005 for an initial period of 20 years from the operational start-up of the plant which occurred in December 2012. As a result of an amendment to the arrangement, this concession was reclassified as a financial asset in 2013. The assets relating to the aforementioned arrangement amount to EUR 28,188 thousand (31 December 2013: EUR 28,884 thousand).

9. NON-CURRENT AND CURRENT FINANCIAL INVESTMENTS

a) Non-current financial investments

The detail of "Non-Current Financial Investments" at the end of 2014 and 2013 is as follows:

	Equity instruments	Loans to third parties	Derivatives	Other financial assets	Total
2014					
Loans and receivables	—	29,377	—	8,879	38,256
Available-for-sale financial assets	20,611	—	—	—	20,611
Held-for-trading financial assets	—	—	1,820	—	1,820
Other financial assets at fair value through profit or loss	—	—	—	3,921	3,921
	20,611	29,377	1,820	12,800	64,608
2013					
Loans and receivables	—	29,377	—	5,295	34,632
Available-for-sale financial assets	20,611	—	—	—	20,611
	20,611	29,377	—	5,295	55,243

The detail, by maturity, of the loans and receivables is as follows:

	2015	2016	2017	2018	2019 and subsequent years	Total
Loans and receivables	5,747	336	498	299	31,376	38,256

Loans and receivables

The loans and receivables include basically the participating loans granted to Xfera Móviles, S.A. This heading also includes the guarantees and deposits relating to legal and contractual obligations in the pursuit of the Company's business activities, and long-term deposits, together with the amounts granted to public entities to carry out works and build facilities in the water supply network. With regard to Xfera Móviles, S.A., it is important to note that at 31 December 2014, Fomento de Construcciones y Contratas, S.A. had granted loans to this company totalling EUR 24,114 thousand (2013: same amount) and had provided guarantees for it amounting to EUR 12,384 thousand (2013: same amount).

Available-for-sale financial assets

The detail at 31 December 2014 and 2013 is as follows:

	Effective percentage of ownership	Fair value
2014		
Vertederos de Residuos, S.A.	16.03%	9,128
Xfera Móviles, S.A.	3.44%	11,215
Other		268
		20,611
2013		
Vertederos de Residuos, S.A.	16.03%	9,128
Xfera Móviles, S.A.	3.44%	11,215
Other		268
		20,611

b) Current financial investments

At 2014 year-end substantially all the "Current Financial Investments" were loans and receivables.

10. INVESTMENTS IN AND PAYABLES TO GROUP COMPANIES AND ASSOCIATES

a) Non-current investments in Group companies and associates

The detail of "Non-Current Investments in Group Companies and Associates" at 31 December 2014 and 2013 is as follows:

	Cost	Accumulated impairment losses	Total
2014			
Equity instruments of Group companies	4,316,102	(1,991,090)	2,325,012
Equity instruments of associates	423,780	(337,428)	86,352
Loans to Group companies	1,166,812	(32,948)	1,133,864
Loans to associates	26	—	26
Other financial assets	200,000	—	200,000
	6,106,720	(2,361,466)	3,745,254
2013			
Equity instruments of Group companies	2,378,801	(299,186)	2,079,615
Equity instruments of associates	21,540	(4,311)	17,229
Loans to Group companies	1,687,717	(882,467)	805,250
	4,088,058	(1,185,964)	2,902,094

The changes in the line items in the foregoing table are as follows:

	Equity instruments of Group companies	Equity instruments of associates	Loans to Group companies	Loans to associates	Derivative	Other financial assets	Impairment	Total
Balance at 31-12-12	2,303,958	736,431	1,968,406	6,244	217	—	(905,140)	4,110,116
Additions or charge for the year	401,051	59,732	122,080	133	—	—	(524,555)	58,441
Disposals or reversals	(326,208)	(119,827)	(402,769)	(6,377)	(119)	—	66,193	(789,107)
Transfers	—	(654,796)	—	—	(98)	—	177,538	(477,356)
Balance at 31-12-13	2,378,801	21,540	1,687,717	—	—	—	(1,185,964)	2,902,094
Additions or charge for the year	1,938,021	3,842	690,670	—	—	200,000	(845,191)	1,987,342
Disposals or reversals	(720)	(733)	(1,211,575)	—	—	—	(2,065)	(1,215,093)
Transfers	—	399,131	—	26	—	—	(328,246)	70,911
Balance at 31-12-14	4,316,102	423,780	1,166,812	26	—	200,000	(2,361,466)	3,745,254

Equity instruments of Group companies

The most significant changes in 2014 detailed in the foregoing table were as follows:

- Subscription of the full amount of the capital increase with a monetary contribution of the wholly-owned investee Azincourt Investments, S.L. in January totalling EUR 98,583 thousand.

- Subscription of the full amount of the capital increase of EUR 1,347,100 thousand at Azincourt Investments, S.L. in May by converting into capital the Company's accounts receivable from this investee (EUR 1,100,728 thousand of long-term receivables and EUR 246,372 thousand of short-term receivables). In 2014 an additional impairment loss of EUR 480,000 thousand was recognised as a result of the impairment on the property, plant and equipment of FCC Environment (UK) due to the planned closure of certain unprofitable landfills with volumes much lower than estimated as a result of the UK landfill tax.

- Subscription of the full amount of the capital increase of EUR 110,847 thousand at Cementos Portland Valderrivas, S.A. in May by converting into capital the loan previously granted by the Company.

- Shareholder contribution of EUR 370,000 thousand to the equity of the wholly-owned investee FCC Construcción, S.A. by converting accounts receivable into share capital. In addition, the Company recognised an impairment loss of EUR 350,000 thousand on the investment in FCC Construcción, S.A. as a result of the reduction in the present value of the expected cash flows. The assumptions used in this estimate envisage the maintenance of the current moderate level of activity in the domestic market, in both infrastructure and construction, partially offset by international activity. The time horizon of the expected cash flows is five years, using a zero growth rate to calculate the perpetual return, which accounts for 81% of the recoverable amount. The discount rate used was 6.70%.

The following changes were worthy of note in 2013:

- Contribution to the equity of the wholly-owned subsidiary FCC Construcción, S.A. of the participating loan granted to this company in 2012 amounting to EUR 400,000 thousand. In addition, the Company recognised an impairment loss of EUR 273,116 thousand on the investment in FCC Construcción, S.A. as a result of the reduction in the present value of the expected cash flows. The assumptions used in this estimate envisage the maintenance of the current moderate level of activity in the domestic market, in both infrastructure and construction, partially offset by international activity. The time horizon of the expected cash flows is five years, using a zero growth rate to calculate perpetual return. The discount rate used was 7.20%.

- The wholly-owned investee (directly and indirectly) Fedemes, S.L. repaid the non-monetary contribution of EUR 325,374 thousand made by the Company in 2012.

- Merger by absorption of Corporación Financiera Hispánica, S.A., Compañía Auxiliar de Agencia y Mediación, S.A., Puerto Cala Merced, S.A. and Eusko Lanak, S.A., all of which were wholly-owned investees (directly and indirectly) of Fomento de Construcciones y Contratas, S.A., into Per Gestora Inmobiliaria, S.L. (absorbing company), the only result of which was that the investment in the absorbed companies was reclassified to the investment in the absorbing company. As a result, the investment in Per Gestora Inmobiliaria, S.L. increased to EUR 71,543 thousand.

The detail, by company, of the investments in Group companies and associates is presented in Appendices I and III, respectively, indicating for each company in which a direct ownership interest is held the company name, registered office, line of business, the percentage of the capital held directly or indirectly, the amount of equity (capital, reserves and other), profit or loss, dividends received, whether or not it is listed and the carrying amount of the ownership interest.

Equity instruments of associates

The most significant changes shown in the foregoing table in relation to 2014 were due mainly to the following reclassifications from "Non-Current Assets Classified as Held for Sale":

- The 49% holding in FM Green Power, S.L., after the sale of 51% of the shares had been formalised (see note 11), with a cost of EUR 273,972 thousand and related accumulated impairment of EUR 266,286 thousand.

- The investment in Realia Business, S.A., with a cost of EUR 125,617 thousand and related accumulated impairment of EUR 66,090 thousand, as a result of the change of strategy of FCC Group management, who decided not to sell the ownership interest in this company (see note 1).

The most significant changes in 2013 were as follows:

- The sale of Proactiva Medio Ambiente, S.A. and Proactiva Doña Juana E.S.P.S.A., which had an investment value of EUR 119,827 thousand and accumulated impairment losses of EUR 64,951 thousand, thereby generating a gain of EUR 63,094 thousand, which was recognised under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the income statement.

- A capital increase at Realia Business, S.A. amounting to EUR 7,199 thousand, with a share premium of EUR 50,391 thousand, with the increase being subscribed in full through the conversion into capital of the participating loan granted by the Company in prior years.

- Reclassification to "Non-Current Assets Classified as Held for Sale" of the investments in and impairment losses on Realia Business, S.A. and Globalvia Infraestructuras, S.A.

Long-term loans to Group companies

The most significant amounts are as follows:

	2014	2013
FCC Aqualia, S.A.	375,683	153,750
FCC Versia, S.A.	168,023	140,000
FCC Medio Ambiente, S.A.	136,716	—
FCC PFI Holdings Limited	100,835	93,507
FCC Construcción, S.A.	76,123	—
FCC Ámbito, S.A.	44,682	—
Enviropower Investment Ltd.	43,495	37,783
FCC Industrial e Infraestructuras Energ., S.A.	34,414	—
Dédalo Patrimonial, S.L.U.	32,948	29,004
Cementos Portland Valderrivas, S.A.	20,000	108,207
.A.S.A. Abfall Service AG	14,000	14,000
Servià Cantó, S.A.	10,709	—
Mantenimiento de Infraestructuras, S.A.	10,008	—
Azincourt Investment, S.L.	—	1,100,728
Other	99,176	10,738
	1,166,812	1,687,717
Impairment:		
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	(32,948)	(29,004)
Azincourt Investment, S.L. (Sole-Shareholder Company)	—	(853,463)
	1,133,864	805,250

The following should be noted in relation to the foregoing table:

- Loans arising from the refinancing process. Under the refinancing agreements described in note 17, the Company assumed, expressly, irrevocably and unconditionally, as the debtor, the contractual position of the subsidiaries vis-à-vis the existing syndicated financing and credit facilities, which led, in turn, to the execution of loan agreements between Fomento de Construcciones y Contratas, S.A. and the subsidiaries. These loans total EUR 631,547 thousand, the detail being as follows.

FCC Aqualia, S.A.	202,449
FCC Medio Ambiente, S.A.	136,606
FCC Construcción, S.A.	76,062
FCC Ámbito, S.A.	44,646
FCC Industrial e Infraestructuras Energéticas, S.A.	34,386
FCC Versia, S.A.	28,000
Servià Cantó, S.A.	10,700
Mantenimiento de Infraestructuras, S.A.	10,000
Other	88,698
	631,547

The interest rate to apply is the effective rate assumed by Fomento de Construcciones y Contratas, S.A. in the refinancing.

- Decrease as a result of the conversion of collection rights into capital explained in the section relating to "Equity instruments of Group companies": Azincourt Investments, S.L. (EUR 1,100,728 thousand) and Cementos Portland Valderrivas, S.A. (EUR 110,847 thousand).

- The participating loan of EUR 149,250 thousand granted on 1 May 2010 to the subsidiary FCC Aqualia, S.A. matures annually and is automatically renewable for successive one-year periods. The interest is calculated on the basis of various accounting indicators of the borrower. This loan earned interest of EUR 5,584 thousand in 2014 (2013: EUR 5,736 thousand).

- The long-term loan of EUR 140,000 thousand granted on 9 February 2007 to the investee FCC Versia, S.A., which initially matured in two years, automatically extendable for additional successive two-year periods. The interest rate is established on the basis of the average 3-month Euribor of the month prior to the month on which it is to be revised, plus a spread of 0.75%. At 2014 year-end this loan had earned interest of EUR 1,509 thousand (31 December 2013: EUR 1,445 thousand).

- Subordinated loan of EUR 20,000 thousand granted to Cementos Portland Valderrivas, S.A. in September 2014, initially maturing in December 2016 and associated with this company's refinancing.

The other loans relate to amounts granted to Group companies that mature in more than one year and earn interest at market rates.

b) Current investments in Group companies and associates

"Current Investments in Group Companies and Associates" includes basically the loans and other non-trade credit facilities granted to Group companies and associates to cater, inter alia, for certain specific cash situations, and other short-term investments. These investments are measured at the lower of cost and market value, plus the related interest at market rates.

The most significant amounts are as follows:

	2014	2013
Azincourt Investment, S.L. (Sole-Shareholder Company)	188,286	315,727
FCC Medio Ambiente, S.A.	86,747	116,266
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	66,971	63,446
FCC Construcción, S.A.	57,325	307,783
FCC Aqualia, S.A.	36,763	29,936
FCC Environment (UK) Ltd.	29,357	27,121
Per Gestora Inmobiliaria, S.L.	15,020	41,612
FCC PFI Holdings Group	10,903	6,792
Other	73,242	64,520
	553,711	973,203
Impairment:		
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	(52,793)	(44,246)
Other	(6,544)	(4,384)
	494,374	924,573

These loans mature annually and earn interest at market rates.

c) Other non-current financial assets

The Company has made a commitment to provide financial support to Cementos Portland Valderrivas, S.A. for a maximum amount of EUR 200,000 thousand (see note 10-d).

d) Non-current payables to Group companies and associates

These relate substantially in full to the payables to Cementos Portland Valderrivas, S.A. for the contingent contribution discussed above. The related amount has already become claimable. However, in fulfilment of the obligations assumed in the refinancing agreement of Fomento de Construcciones y Contratas, S.A. (see note 17), on 24 March 2014 an agreement was formalised whereby the contingent capital contribution was deferred until the date of final maturity of the Company's refinancing agreement. Subsequently, the new restructuring framework agreement entered into on 21 November provided for the partial contribution of EUR 100,000 thousand, which were disbursed on 5 February 2015.

e) Current payables to Group companies and associates

The most noteworthy balances of "Current Payables to Group Companies and Associates", which includes the loans received by the Company bearing interest at market rates and trade accounts payable to those companies, recognised on the liability side of the accompanying balance sheet, are as follows:

	2014	2013
FCC Versia, S.A.	197,169	178,703
FCC Aqualia, S.A.	137,215	60,799
Per Gestora, S.L.	64,832	—
Fedemes, S.L.	35,857	35,559
Ecoparque Mancomunidad del Este, S.A.	24,979	22,120
Dédalo Patrimonial, S.L.U.	17,627	1,496
Castellana de Servicios, S.A.	12,000	—
FCC Medio Ambiente, S.A.	11,429	5,091
FCC Construcción, S.A.	10,914	132,089
Asesoría Financiera y de Gestión, S.A.	—	44,932
Azincourt Investment, S.L.	—	11,066
Other	37,881	24,227
	549,903	516,082

11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

At 2014 year-end Fomento de Construcciones y Contratas, S.A., the Parent of the FCC Group, presented its ownership interest in Globalvia Infraestructuras, S.A. (Infrastructure Management business) as "Non-Current Assets Classified as Held for Sale" for EUR 225,000 thousand. Also, in 2014 EUR 41,000 thousand were collected, relating to the reimbursement of that company's share premium. The impairment losses on the non-current assets classified as held for sale amount to EUR 9,000 thousand and are recognised under "Impairment and Gains of Losses on Disposals of Financial Instruments".

In 2014 51% of FM Green Power, S.L. (Sole-Shareholder Company) was sold for EUR 8,000 thousand. The remaining 49%, with a carrying amount of EUR 7,686 thousand, was classified under "Equity Instruments of Associates".

Lastly, the investment in Realia Business, S.A. was reclassified to "Equity Instruments of Associates" as a result of the decision adopted by Company management not to sell it (see note 1).

12. TRADE RECEIVABLES FOR SALES AND SERVICES

"Trade Receivables for Sales and Services" in the accompanying balance sheet includes the present value of the Company's sales and services.

	2014	2013
Production billed not yet collected	276,229	304,594
Unbilled production	134,174	125,984
Trade receivables for sales and services	410,403	430,578
Customer advances	(17,227)	(16,592)
Total trade receivables, net	**393,176**	**413,986**

The foregoing total is the net balance of trade receivables after deducting the balance of "Other Payables - Customer Advances" on the liability side of the accompanying balance sheet which, as required by accounting regulations, includes the collected and uncollected pre-billings for various items and the advances received (normally in cash).

"Production Billed Not Yet Collected" reflects the amount of the billings issued to customers for services provided not yet collected at the balance sheet date.

"Unbilled Production" reflects the difference between the production recognised by the Company on each contract and the amount of the billings issued to the customers. The balance of this account relates basically to the price revisions under the various contracts which, although as yet unapproved, the Company considers will be duly billed since there are no doubts as to their being accepted.

The Company factors trade receivables to banks without recourse against Fomento de Construcciones y Contratas, S.A. in the event of default. The amount deducted from the trade receivables balance at 2014 year-end in this connection amounted to EUR 46,806 thousand (31 December 2013: EUR 97,401 thousand).

Of the net balance of trade receivables, EUR 66,376 thousand (31 December 2013: EUR 72,518 thousand) relate to balances from contracts performed through joint ventures.

13. DERIVATIVE FINANCIAL INSTRUMENTS

The detail of the assets and liabilities relating to derivatives included under "Other Non-Current Financial Assets", "Non-Current Payables - Other Financial Liabilities" and "Current Payables - Other Financial Liabilities" in the accompanying balance sheet and of the related effects on equity and the income statement is as follows:

	Fair value			
	Assets (note 9)	Liabilities (note 17)	Impact on equity	Impact on the income statement
2014				
Hedging derivatives	—	2,609	(1,941)	(223)
Other derivatives	1,820	223	—	9,038
	1,820	**2,386**	**(1,941)**	**8,815**
2013				
Hedging derivatives	—	5,962	(4,234)	—
Other derivatives	274	39,490	—	18,344
	274	**45,452**	**(4,234)**	**18,344**

Hedging derivatives

Following is a detail of the hedging derivatives arranged by the Company for 2014 and 2013, all of which are cash flow hedges, subdivided according to the hedged transaction, and including the type of derivative, the amounts arranged or notional amounts, the expiry date, the fair value at year-end, the impact on equity net of the related tax effect and the impact on the income statement in respect to the ineffective portion:

2014

Hedged transaction	Type of derivative	Amount arranged	Expiry	Fair value Assets	Fair value Liabilities	Impact on equity	Impact on the income statement
Other payables	IRS	8,881	2-4-2024	—	1,345	(923)	(105)
(note 17-b)	IRS	4,441	2-4-2024	—	673	(462)	(52)
	IRS	2,845	2-4-2024	—	431	(296)	(34)
	IRS	2,506	2-4-2024	—	382	(260)	(32)
				—	2,831	(1,941)	(223)

2013

Hedged transaction	Type of derivative	Amount arranged	Expiry	Fair value Assets	Fair value Liabilities	Impact on equity
Syndicated loan (note 17-b)	IRS	612,500	8-5-2014	—	4,219	(2,953)
					4,219	(2,953)
Other payables (note 17-b)	IRS	9,364	2-4-2024	—	824	(577)
	IRS	4,682	2-4-2024	—	412	(288)
	IRS	3,000	2-4-2024	—	267	(187)
	IRS	2,643	2-4-2024	—	240	(168)
					1,743	(1,220)
Share option plan (note 15)	CALL	37,065	10-2-2014	—	—	(61)
						(61)
TOTAL				—	5,962	(4,234)

The detail, by maturity, of the notional amount of the hedging transactions arranged at 31 December 2014 is as follows:

	Notional maturity 2015	2016	2017	2018	2019 and subsequent years
IRS (other payables)	1,062	1,135	1,154	1,179	14,143

Other derivatives

Following is the detail for 2014 and 2013 of the derivative financial instruments that do not qualify for hedge accounting, subdivided according to the hedged transaction, and including a detail of the type of derivative, the amounts arranged or the notional amount, the expiry date, the fair value at year-end and the impact on the income statement under "Changes in Fair Value of Financial Instruments":

	Type of derivative	Amount arranged	Expiry	Fair value Assets	Fair value Liabilities	Impact on the income statement
2014						
Share option plan	PUT	53,838	20-1-2014	—	—	3,368
(note 15)	PUT	37,065	10-2-2014	—	—	234
	IFE	53,838	10-1-2014	—	—	3,699
	IFE	37,065	10-2-2014	—	—	(83)
				—	—	7,218
Convertible bonds (note 14-e)	*Trigger Call*	449,800	30-10-2020	1,820	—	1,820
				1,820	—	1,820
				1,820	—	9,038
2013						
Share option plan	PUT	53,838	20-1-2014	—	25,559	11,900
(note 15)	PUT	37,065	10-2-2014	—	13,410	10,603
	IFE	53,838	20-1-2014	—	234	(1,797)
	IFE	37,065	10-2-2014	—	13	(2,038)
				—	39,216	18,668
Convertible bonds (note 14-e)	*Trigger Call*	450,000	31-10-2014	—	—	(324)
				—	—	(324)
Exchange rate hedge	IRS	73,201	21-3-2014	274	—	(1,190)
	IRS	36,600	21-3-2014	—	137	595
	IRS	36,600	21-3-2014	—	137	595
				274	274	—
				274	39,490	18,344

14. EQUITY

On 27 November 2014, the Board of Directors of Fomento de Construcciones y Contratas, S.A. resolved to increase capital by a par value of EUR 133,269,083 by issuing 133,269,083 new ordinary shares of EUR 1 par value each, which were admitted to listing on the Spanish Stock Market Interconnection System on 22 December 2014. Capital was increased with a share premium of EUR 6.5 for each of the new shares issued, which resulted in an increase of EUR 841,749 in the total share premium, including the expenses, net of tax, incurred in the capital increase, which amounted to EUR 24,500 thousand.

The funds obtained through the capital increase were used partially to repay the debt relating to Tranche B of the financial borrowings of Fomento de Construcciones y Contratas, S.A. regulated in the refinancing agreement in force from 26 June 2014 amounting to EUR 900,000 thousand, after a 15% debt reduction granted by the lender banks amounting to EUR 135,000 thousand. In addition, EUR 100,000 thousand were used to cater for the financing needs of Azincourt Investment, S.L. and another EUR 100,000 thousand were used to repay the debt to Cementos Portland Valderrivas, S.A. arising from the financial support agreement entered into between Fomento de Construcciones y Contratas, S.A. and its creditor banks. This latest contribution to Cementos Portland Valderrivas, S.A. was paid on 5 February 2015.

The impact on equity of the capital increase at Fomento de Construcciones y Contratas, S.A. is detailed in the following table:

Capital increase	133,269
Share capital	**133,269**
Increase in share premium	866,249
Expenses incurred in the capital increase, net of tax	(24,500)
Share premium	**841,749**
Income due to debt reduction	135,000
Initial arrangement fees recognised in the income statement	(35,114)
Tax effect	(29,966)
Profit (Loss) for the year	**69,920**
Total effect on equity	**1,044,938**

a) Share capital

Following the capital increase, the share capital of Fomento de Construcciones y Contratas, S.A. now consists of 260,572,379 book-entry ordinary shares of EUR 1 par value each.

All the shares carry the same rights and have been fully subscribed and paid.

The shares of Fomento de Construcciones y Contratas, S.A. are included in the selective IBEX 35 index, are publicly listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges and are traded through the Spanish stock market interconnection system.

With regard to share capital of over 10% owned by other companies either directly or through their subsidiaries, according to information furnished and as a result of the capital increase, Control Empresarial de Capitales, S.A. de C.V., which is wholly owned by Inmobiliaria Carso, S.A. de C.V., which is in turn controlled by the Slim family, owns 25.63%. Also, B-1998, S.A. holds a direct and indirect ownership interest of 22.43% in the share capital following the sale of their interests in the share capital of B-1998, S.A. by the non-controlling shareholders Larranza XXI, S.L. and CaixaBank, S.A. B-1998 S.A. is controlled by Ms Esther Koplowitz Romero de Juseu (100% after the change in the shareholder structure communicated on 19 January 2015).

Ms Esther Koplowitz Romero de Juseu also directly owns 123,313 shares of Fomento de Construcciones y Contratas, S.A., as well as 39,214 shares indirectly through Dominum Desga, S.A., Ejecución y Organización de Recursos, S.L., E.A.C. Inversiones Corporativas, S.L. and Dominum Dirección y Gestión, S.A.

b) Share premium

The Consolidated Text of the Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use for other purposes.

c) Reserves

The detail of "Reserves" in 2014 and 2013 is as follows:

	2014	2013
Legal reserve	26,114	26,114
Other reserves	896,085	896,080
	922,199	922,194

Under the Consolidated Text of the 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 can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

"Other Reserves" includes most notably EUR 6,034 thousand of restricted reserves, equal to the par value of the treasury shares retired in 2002 and 2008 which, in accordance with Article 335.c of the Spanish Limited Liability Companies Law, are restricted, unless the same requirements as those stipulated for capital reductions are met.

d) Treasury shares

At 31 December 2014, the Company held 232,747 treasury shares (31 December 2013: 280,670 treasury shares), accounting for 0.09% of the share capital and amounting to EUR 5,278 thousand (31 December 2013: EUR 6,103 thousand). The sale of treasury shares in 2014 gave rise to a gain of EUR 5 thousand (2013: loss of EUR 40,806 thousand), and this amount is included under "Other Reserves - Treasury Share Transactions (Net)" in the accompanying balance sheet.

e) Other equity instruments

In accordance with recognition and measurement standard 9 of the Spanish National Chart of Accounts, "Other Equity Instruments" includes the measurement of the equity component resulting from accounting for the issue of bonds convertible into shares of the Company, which when added to the amount expressed under "Debt Instruments and Other Marketable Securities" in the accompanying balance sheet, makes up the total amount of the issue of such bonds.

In October 2009 Fomento de Construcciones y Contratas, S.A. launched an issue of bonds exchangeable for shares of the Company, maturing on 30 October 2014. Certain terms and conditions were amended and approved by the General Assembly of the Syndicate of Bondholders on 5 May 2014 and by the shareholders at the Company's Annual General Meeting on 23 June 2014, as indicated in note 17-a).

The main features following the amendments are as follows:

- The amount of the issue was EUR 450,000,000 with final maturity on 30 October 2020.
- On 12 May 2014, EUR 200,000 of bonds were converted into 5,284 treasury shares of the Company.
- The bonds were issued at par and with a face value of EUR 50,000.
- The bonds accrue interest at a fixed annual rate of 6.50% payable every six months.
- The exchange price of the bonds for shares of the Company was adjusted and set at EUR 30.00 per ordinary share, resulting in each nominal amount of EUR 50,000 in bonds entitling the owner to receive 1,666.66 ordinary shares. Subsequently, and as a result of the dilution arising from the capital increase, the conversion price was adjusted to EUR 22.19 per ordinary share, effective from 1 December 2014, resulting in each nominal amount of EUR 50,000 in bonds entitling the owner to receive 2,253.27 ordinary shares.
- The entitlement to convert the bonds may be exercised at the request of each

of the holders, at any time until 30 October 2020, pursuant to the terms and conditions of the bonds.

- A new case of optional repayment for the issuer from 30 October 2018 is included.
- Following the restructuring, the convertible bonds are no longer subordinated.

The shareholders at the Annual General Meeting held on 23 June 2014 at which the terms and conditions of the bonds were amended also adopted the following relevant resolutions in relation to the bonds:

- The disapplication of pre-emption rights required by the approval of the amendments to the terms and conditions that would otherwise have corresponded to the Company's shareholders in relation to the bonds pursuant to Article 416 of the Spanish Limited Liability Companies Law.
- In accordance with Article 414 of the Spanish Limited Liability Companies Law, it was resolved to increase the Company's capital by the amount required to cater for the conversion of such bonds as the holders thereof might request pursuant to the amended terms and conditions of the bonds up to an initially envisaged maximum of EUR 15,000,000 corresponding to 15,000,000 new shares, but subject to possible modifications based on the amended terms and conditions. This capital increase will be carried out, in full or in part, by the Board of Directors, with express powers of delegation to any of the Board members, whenever necessary in order to cater for the conversion of the bonds, through the issue of new ordinary shares with the same par value and carrying the same rights as the ordinary shares outstanding on the date or dates on which the capital increase resolution is implemented.

It should also be noted in relation to this transaction that the Company has a trigger call option that allows it to call the bonds under certain circumstances (Trigger Call) (see note 13).

f) Valuation adjustments

The detail of "Valuation Adjustments" is as follows:

	2014	2013
Available-for-sale financial assets (note 9)	8,059	8,059
Hedges (note 13)	(1,941)	(4,234)
	6,118	3,825

g) Grants

The accompanying balance sheet includes grants received amounting to EUR 6,879 thousand (31 December 2013: EUR 6,642 thousand), net of the tax effect, with EUR 5,260 thousand having been taken to the income statement (31 December 2013: EUR 5,113 thousand), of which EUR 261 thousand related to 2014 (31 December 2013: EUR 251 thousand) The aforementioned amount relates mainly to grants received by the joint ventures through which the Company jointly performs contracts.

15. EQUITY INSTRUMENT-BASED TRANSACTIONS

In accordance with a resolution adopted by the Board of Directors on 29 July 2008, Fomento de Construcciones y Contratas, S.A. had a cash settlement-based remuneration plan in force for the Executive Directors and Executives linked to the value of the Company's shares. The participants in the plan would have received a cash amount equivalent to the difference between the value of the shares at the date of exercise and at the reference date set in the plan. This plan was divided into two tranches with final maturities in October 2013 and February 2014, respectively. The value of the share during the exercise period did not at any time exceed the exercise price set and, accordingly, no option was exercised in either case. Consequently, no cash outflow took place.

Initially, the Company arranged with financial institutions a call option and a put option for each of the tranches described above, together with an interest rate/dividend swap with the same exercise price, nominal amount and maturity as the plan. The treasury shares linked to this hedge were delivered to the aforementioned financial institutions. On final maturity of the transaction in February 2014, the aforementioned derivative instruments were settled. The impact on results is described in note 13 to the accompanying financial statements.

16. LONG-TERM AND SHORT-TERM PROVISIONS

a) Long-term provisions

The changes in 2014 were as follows:

	Actions on infrastructure	Litigation	Liability and contingencies	Guarantees and contractual and legal obligations	Other	Total
Balance at 31.12.12	19,753	91,178	113,848	41,395	31,512	297,686
Charge for the year	1,867	164	13,601	70,919	6,888	93,439
Amounts used	(942)	(60,689)	—	(1,934)	(574)	(64,139)
Reversals	—	(30,248)	(2,801)	(13,879)	(27,491)	(74,419)
Balance at 31.12.13	20,678	405	124,648	96,501	10,335	252,567
Charge for the year	1,435	12	71,482	2,738	500	76,167
Amounts used	(2,992)	(15)	(12)	(3,211)	(73)	(6,303)
Reversals	(5,837)	(17)	—	(8,045)	(394)	(14,293)
Balance at 31.12.14	13,284	385	196,118	87,983	10,368	308,138

Provisions for actions on infrastructure

Under the service concession arrangements, these provisions cover the actions required to hand over the infrastructure at the end of the concession term, namely dismantling, removing or restoring these assets, replacement and major repair work and actions taken to upgrade the infrastructure and increase its capacity. Also, provisions to replace and repair the infrastructure are systematically recognised in the income statement as the obligation is incurred (see note 4-a.1).

Provisions for litigation

Provisions for litigation cover the Company's contingencies when it acts as defendant in certain proceedings in relation to the liability inherent to the business activities carried on by it. The lawsuits, although numerous, are not expected to have an impact on the Company according to estimates regarding their final outcomes.

Provisions for liability and contingencies

Provisions for liability and contingencies cover the risks, not included in other categories, to which the Company may be exposed as a result of the activities it carries on. In particular, they include the provisions for covering the risks arising from the expansion of international activity.

Provisions for guarantees and contractual and legal obligations

Provisions for guarantees and contractual and legal obligations include the provisions to cover the expenses arising from contractual and legal obligations of a non-environmental nature.

Other provisions

"Other Provisions" includes the items not classified in the foregoing accounts, including provisions to cover environmental contingencies, self-insurance activity and the Company's obligations in relation to equity instrument-based transactions.

b) Short-term provisions

The detail of "Non-Current Payables" and "Current Payables" is as follows:

17. NON-CURRENT AND CURRENT PAYABLES

The detail of "Non-Current Payables" and "Current Payables" is as follows:

	Non-current	Current
2014		
Debt instruments and other marketable securities	445,975	4,873
Bank borrowings	3,709,348	43,778
Obligations under finance leases	10,572	5,867
Derivatives (note 13)	2,609	223
Other financial liabilities	4,117	41,992
	4,172,621	96,733
2013		
Debt instruments and other marketable securities	—	448,012
Bank borrowings	39,353	3,599,928
Obligations under finance leases	12,094	5,966
Derivatives (note 13)	1,743	43,709
Other financial liabilities	3,461	16,283
	56,651	4,113,898

The detail, by maturity, of "Non-Current Payables" is as follows:

	Maturity					
	2016	2017	2018	2019	2020 and subsequent years	Total
Debt instruments and other marketable securities	—	—	—	—	445,975	445,975
Bank borrowings	154,068	178,469	3,355,771	2,862	18,178	3,709,348
Obligations under finance leases	4,969	4,139	1,211	165	88	10,572
Derivatives	514	514	514	514	553	2,609
Other financial liabilities	874	289	62	54	2,838	4,117
	160,425	183,411	3,357,558	3,595	467,632	4,172,621

a) Debt instruments and other marketable securities

The purpose of the issue of subordinated convertible bonds amounting to EUR 450,000 thousand launched on 30 October 2009 by Fomento de Construcciones y Contratas, S.A., which was aimed at international institutional investors, was to strengthen the balance sheet equity structure due to the fact that the bonds were convertible and subordinated to the corporate loans arranged by the Company at that time, and it also attempted to diversify the financing base by supplementing the bank financing.

The restructuring of these convertible bonds was included in the framework of the overall refinancing in 2014. This restructuring consisted of extending the original maturity of the convertible bonds -set for October 2014- by 6 years until October 2020, initially reducing the conversion price from EUR 37.85 to EUR 30 and then from 1 December onwards, due to the capital increase performed at the Company, reducing it further to EUR 22.19 while maintaining the interest rate of 6.5%.

The entitlement to convert the bonds may be exercised at the request of each of the holders, at any time until 30 October 2020, pursuant to the terms and conditions of the bonds. Also, it should be noted that following the restructuring, the convertible bonds are no longer subordinated.

Furthermore, Fomento de Construcciones y Contratas, S.A. is entitled to convert all of the convertible bonds into ordinary shares under certain circumstances, and repay all of the bonds early from October 2018 onwards.

The restructuring of and amendments to the conditions of the issue in the terms mentioned were approved by the General Assembly of Bondholders held on 5 May 2014 and the Company's Annual General Meeting on 23 June 2014.

In accordance with applicable accounting regulations, in addition to their financial component, the convertible bonds have another component that is recognised in equity as described in note 14-e to these financial statements. note 18-d also describes the terms of the convertible bond issue.

The balance recognised in this connection at 31 December 2014 under "Debt Instruments and Other Marketable Securities" in the accompanying consolidated balance sheet amounted to EUR 450,848 thousand, including EUR 4,873 thousand of accrued interest payable (31 December 2013: EUR 448,012 thousand). These bonds traded at 99.48% of par at 31 December 2014 according to Bloomberg.

b) Non-current and current bank borrowings

In 2013 the FCC Group commenced the refinancing of most of its debt in order to achieve a sustainable financial structure adapted to the generation of cash projected for the Group in the prevailing market environment, which would enable it to focus on the other objectives of its Strategic Plan aimed at improving profitability, reducing indebtedness, strengthening the capital structure and generating cash.

The refinancing process was formalised through the refinancing agreements entered into on 24 March and 1 April 2014 by Fomento de Construcciones y Contratas, S.A., other Group companies and the lending banks. Subsequent to compliance with certain conditions, the refinancing process came into effect on 26 June 2014, the date on which the full amount of the Financing Agreement was received and interest began to accrue. The refinancing was subscribed by virtually all the banks involved (more than 40 entities), achieving coverage of 99.98% of the liabilities affected.

The refinancing was instrumented mainly through (i) the arrangement of a syndicated loan amounting to EUR 4,528 million; (ii) the entering into of a financial stability agreement for guarantee and working capital facilities; (iii) the restructuring of the convertible bonds issued in 2009 amounting to EUR 450 million (discussed above); and (iv) the arrangement of other additional financing agreements.

On 21 November 2014, a binding agreement, the "New Restructuring Framework Agreement", was entered into with lending entities representing 86.5% of the Financing Agreement and other existing debt, under which the following was agreed:

i) the use of the proceeds net of expenses arising from the capital increase (see note 14); and
ii) the modification of certain terms and conditions of the financing agreement.

Specifically, the aforementioned agreement established that EUR 765 million of the proceeds from the capital increase be used to repay and amortise EUR 900 million of Tranche B of the Financing Agreement, with the lending entities of Tranche B thereby assuming a debt reduction of 15%. The lending entities' share of this reduction was proportional to their respective participation in Tranche B.

Since the aforementioned "New Restructuring Framework Agreement" had been approved by 86.5% of the lending entities, a court approval procedure was implemented to apply the terms and conditions to all of the lending entities. Once this had been approved by the relevant court, legal proceedings were initiated for the presentation of challenges, which at the date of preparation of these financial statements has not yet ended.

The detail of the most salient aspects of the aforementioned refinancing and its subsequent renewal is as follows:

Financing Agreement and subsequent renewal

The refinancing is structured primarily on the basis of a long-term syndicated financing agreement divided into tranches that came into force on 26 June 2014 (the "Financing Agreement") which entailed the novation of a significant portion of the various syndicated financing agreements, credit or loan facilities or bilateral financing instruments of Fomento de Construcciones y Contratas, S.A. and certain of its Group companies (the "FCC Refinancing Scope"), with the exception of certain excluded companies and the excluded subgroups headed by Cementos Portland Valderrivas, S.A., FCC Environment Services, FCC PFI Holdings Ltd y Azincourt Investment, S.L.U. ("Azincourt"), .A.S.A. Abfall Services A.G. and Aqualia Czech, S.L. (together the "Excluded Subgroups").

The main features of this syndicated financing agreement are as follows:

- **Amount:** the total amount is EUR 4,528 million, which replaced most of the debt existing in various syndicated and bilateral structures for the same amount. As a result of the renewal the principal amounted to EUR 3,678 million.

- **Tranches:** Tranche A amounting to EUR 3,178 million which is classified as a guaranteed senior commercial loan and Tranche B amounting to EUR 1,350 million that is of the same guaranteed nature as Tranche A and includes a right to convert the outstanding balance at maturity into newly issued shares at market price without a discount (including the PIK or capitalisable component of the accrued interest) through the conversion of loans into share capital or a subordinated loan in certain circumstances envisaged in the Financing Agreement. As a result of the renewal and the use of a portion of the funds from the capital increase to repay Tranche B, the principal amounted to EUR 490 million at 31 December 2014 (including the interest added to the principal up to that date).

- **Maturity:** the maturity of the Financing Agreement was set at 4 years from 26 June 2014 with the possibility of being extended up to a maximum period of 6 years (automatic extension by 1 year in the case of conversion of Tranche B into shares of the Company and additional extension by 1 more year where this has been approved by an enhanced majority of 75% of entities financing Tranche B). After novation of the agreement, if Tranche B has not been converted, it will be extended automatically for an additional three-year period.

- **Repayment:** the repayment schedule includes EUR 150 million at 24 months and EUR 175 million at 36 months, and the remainder is payable on maturity at no cost. Tranche B is repayable on the original maturity date at no cost, notwithstanding its possible conversion into shares under the terms and conditions indicted below.

- **Interest rate of Tranche A:** the interest rate established for Tranche A is Euribor plus a floating spread increasing over the period of 3% in the first year, 3.5% in the second year and 4% in the third and fourth years.

- **Cases of early maturity** The Financing Agreement provides for certain cases of early maturity, which include, inter alia (i) non-payment; (ii) non-achievement of covenants; (iii) material adverse effect; (iv) insolvency proceedings involving any party to the Agreement or relevant subsidiary; and (v) cross default if other debts are not paid.

- **Cases of mandatory total early repayment.** The Financing Agreement provides for certain cases of mandatory total early repayment which include, inter alia (i) a change of control at the Company and at the FCC Group (which involves the acquisition of control by a third party other than an industrial company or a credit institution of acknowledged solvency, experience and management capacity), unless it results from a monetary capital increase the funds of which are used for the purposes envisaged in the Financing Agreement, or from the acquisition of control as a result of a possible conversion into shares; or the loss of control of the current controlling shareholder that does not involve the acquisition of control by a third party; and (ii) the sale of all or a substantial portion of the assets or businesses of the Group.

- **Cases of mandatory partial early repayment.** Among other cases, the Financing Agreement provides for the obligation of the borrowers to repay, early and partially, the outstanding principal using (i) all of the net proceeds from monetary capital increases, unless (a) they are used to repurchase Tranche B debt (using the Dutch auction procedure); (b) and up to 25% of the proceeds from the capital increase may be used, at the Company's discretion, as contributions of funds to certain companies in which non-controlling interests are held, Excluded Subgroups (except for Alpine) or certain companies excluded from the Refinancing Scope; (ii) the effective amount paid in by any FCC Group company party to the refinancing or any company in the Refinancing Scope as a result of the subscription of subordinated debt; (iii) proceeds from insurance indemnity payments and the sale of assets, subsidiaries and businesses, except under certain circumstances; and (iv) cash surpluses existing at 31 December of each year which exceed certain minimum amounts.

- **Financial ratios and other borrower obligations.** The Financing Agreement is subject to the achievement of certain half-yearly financial ratios relating to the Refinancing Scope the non-achievement of which may trigger a case for early repayment. As a result of arranging the aforementioned renewal, the financial ratios will only have full effect from June 2015 onwards in order to provide for a complete twelve-month period from the entry into force of the financing agreement, thereby making the aggregates used uniform.

- **Flexibility in the terms and conditions in the case of deleverage.** If all the circumstances concur, which in accordance with the Financing Agreement constitutes a case of deleverage of the Refinancing Scope, the Financing Agreement provides for the automatic modification of certain conditions and obligations upon the borrowers including (i) the easing of partial early payment cases; and (ii) modification of the dos and don'ts obligations incumbent upon borrowers (including the removal of the prohibition on distributions to shareholders), establishing minimum thresholds triggering the prohibition of constitution of liens and encumbrances or limitations on the disposal and sale of assets when conducted under conditions other than market conditions.

  As a result of the aforementioned renewal, certain clauses were modified, thereby mitigating various restrictions imposed by the original agreement, the most significant being: (i) Fomento de Construcciones y Contratas, S.A. can provide funding to Group companies other than the borrowers and guarantors if they meet certain requirements; (ii) the maximum amount of additional financial indebtedness in which Fomento de Construcciones y Contratas, S.A. and other Group companies may incur has been increased; and (iii) Fomento de Construcciones y Contratas, S.A. is entitled to distribute dividends to shareholders if certain conditions are met.

- **Personal guarantees and security interests.** The Financing Agreement provides for personal guarantees whereby Fomento de Construcciones y Contratas, S.A. and Group companies acting as guarantors are jointly and severally liable for the fulfilment of the obligations of the other borrowers. In further assurance of compliance with the obligations under the Financing Agreement, certain security interests have been given by the borrowers including (i) a pledge of shares and ownership interests in various companies of the FCC Group; (ii) a pledge of receivables on bank accounts; and (iii) a pledge of receivables on certain concession arrangements and other collection rights, as well as the granting of a promise of creating additional security interests in certain circumstances.

Main characteristics of Tranche B

- **Repurchase of Tranche B.** The Financing Agreement establishes that, in the event of a capital increase at Fomento de Construcciones y Contratas, S.A., the proceeds obtained from the increase may be earmarked for the acquisition of Tranche B debt through a Dutch auction process, which could allow for the repurchase of Trance B at a discount.

- **Interest rate of Tranche B.** As regards Tranche B, the interest rate agreed upon was 1-year Euribor plus an annual fixed spread (PIK component) of 11% in the first year, 13% in the second year, 15% in the third year and 16% in the fourth year, with the Euribor payable in cash and the PIK component capitalisable at the end of each interest period. In the case of a monetary capital increase in order to repay or repurchase Tranche B, the PIK component would accrue and be capitalised at a reduced rate of 6% solely in relation to that portion of Tranche B that had been repaid and only with respect to the interest accrued in the year in which the monetary capital increase had been performed. As a result of the aforementioned novation of the agreement, the interest rate on the PIK component was reduced to 5% per year on the portion not yet repaid after the novation.

- **Conversion of Tranche B into shares.** As indicated previously, the Financing Agreement envisages that the full balance of Tranche B not yet paid (including the interest PIK component) can be converted into shares of the Company, primarily, and including other cases of early conversion, (i) in the event of failure to repay or refinance Tranche B on maturity (ordinary conversion); (ii) in a case of total or partial mandatory repayment, or a case of early maturity envisaged in the Financing Agreement (early conversion); or (iii) in a case of insolvency proceedings involving the Company, subject at all times to the condition that it is thus agreed upon by the lenders whose joint share in Tranche B represents 75% or more of the total outstanding balance payable.

The conversion right is instrumented through a warrants issue approved by the shareholders at the Annual General Meeting of Fomento de Construcciones y Contratas, S.A. held on 23 June 2014. The warrants give their holders the right to convert -up to six months after the original maturity date- a number of new shares of the Company in proportion to their share of the Tranche B debt (including principal and capitalised interest payable at the conversion date) at the market price of the shares upon exercise of the warrants, for which the highest would be considered of (i) the nominal value; and (ii) the value of the weighted average market price of the shares of the eight weeks prior to the date on which the conversion process is initiated (five months before the original maturity date) in the case of ordinary conversion, or the weighted average market price of the shares during the eight weeks after the date on which the conversion process is initiated, in the case of early conversion.

The warrants were subscribed by the lending entities with a share in Tranche B and are transferable only in the amount of the corresponding share in Tranche B, which simultaneously requires the joint and indivisible transfer of Tranche A. The warrants will not be listed on any secondary market.

In order to minimise the impact on the market price of the Company's shares that could result from the conversion, the lending entities assumed certain restrictions on the transfer of shares and in relation to the orderly sale thereof.

However, it should be underlined that the warrants will not be convertible into shares of the Company if prior to or on the conversion date the aforementioned Tranche B is repaid or if various circumstances are jointly met, including most notably: (i) that the Company has provided evidence of the reduction of the Net Financial Debt/EBITDA ratio of the Refinancing Scope to under 4 times; (ii) that it has repaid at least EUR 1,500 million of the total financing granted through Tranche A and Tranche B; and (iii) that recurring EBITDA exceeds EUR 750 million. In these cases, the conversion of the warrants would be immediately deactivated, Tranche B would be converted into Tranche A and the spread applicable to the interest rate on the total of Tranche A would be set at 4.5%.

Financial Stability Framework Agreement

To complement the main refinancing agreement, a Financial Stability Framework Agreement was entered into governing, inter alia, the financial transactions necessary for day-to-day business activity: domestic and international guarantees amounting to EUR 1,704 million and leases, full-service leases, reverse factoring, factoring and German models amounting to EUR 459 million for a period of four years; and the commitment -vis-à-vis the lenders- to automatically defer (in terms and conditions of repayment and maturity similar to those set out for Tranche A in the Financing Agreement) the claim ability of certain contingent debt items from the time of accrual, as a result of initiating claims or executing security interests provided in relation to guarantees.

Syndicated international guarantee facility

Also, the grant of a new international guarantee facility was formalised amounting to EUR 250 million extendible to EUR 450 million, for a period of 4 years, extendable to 6 (in line with the possible extensions of the Financing Agreement.

Cementos Portland Valderrivas deferral agreement

LThe refinancing also includes the formal arrangement of an agreement entered into in March 2014 with the lending banks of Cementos Portland Valderrivas to defer Fomento de Construcciones y Contratas, S.A.'s obligation to contribute contingent capital of up to EUR 200 million to that subsidiary. The agreement has a term of four years (extendible to six years), would enter into force from when the Company's contribution obligation becomes enforceable and would bear, as deferred contingent debt, an interest rate identical to that applicable to Tranche A of the Financing Agreement at any given time.

Also, under the New Restructuring Framework Agreement, in December the lending entities agreed to contribute EUR 100 million to Azincourt Investment, S.L., in order to enable it to repay a portion of its debt; in February 2015, after the capital increase, EUR 100 million were contributed to Cementos Portland Valderrivas, S.A., which were used to reduce Cementos Portland Valderrivas, S.A.'s financial debt by the same amount. This contribution reduced the Company's obligations under the "CPV Deferral Agreement".

Also, there are bilateral loans/credit facilities totalling EUR 72,895 thousand.

At year-end the long- and short-term financing granted to the Company by banks had a limit of EUR 3,755,994 thousand (31 December 2013: EUR 4,017,793 thousand), which had been drawn down substantially in full at 31 December 2014 (31 December 2013: EUR 387,799 thousand available), since the signing of the syndicated financing agreement led to the repayment of most of the bilateral financing, with the undrawn balances added to "Cash" and, therefore, working capital needs started to be managed through cash.

18. NON-CURRENT AND CURRENT TRADE AND OTHER PAYABLES

a) Accounts payable to Public Authorities

The entire balance of "Trade and Other Non-Current Payables" and a portion of the balance of "Other Accounts Payable to Public Authorities" under "Trade and Other Current Payables" (see note 20-a) include the deferral of the payment of certain taxes and social security contributions, authorised by the Large Taxpayers Central Office of the State Tax Agency and the Social Security General Treasury, respectively. The deferred amounts are payable monthly up to a maximum of four years at an interest rate of 4-5%.

The detail of the aforementioned deferred payments is as follows:

	2014	2013
Non-current	92,615	136,430
Current	104,032	105,243
	196,647	241,673

b) Deferral of payment to suppliers in commercial transactions

In relation to the resolution issued by the Spanish Accounting and Audit Institute (ICAC) on 29 December 2010 implementing Additional Provision Three of Law 15/2010, of 5 July, on combating late payment in commercial transactions, it should be noted with respect to 2014 that in Spain the Company operates mainly with public-sector customers such as the State, Autonomous Communities, local corporations and other public bodies which take longer to settle their payment obligations than the periods established in Public Sector Contract Legislation and in Law 3/2004, of 29 December, on combating late payment.

It is also important to note that in 2014, the provisions of Article 228.5 of the current Consolidated Text of the Public Sector Contract Law ("TRLCSP") were applied to work and supplies arising from agreements entered into by the Company with the various Public Authorities.

Due to this situation, in order to adapt the Company's financial policy to reasonable levels of efficiency, the usual payment periods to the suppliers in the sectors in which the Company operates were maintained throughout 2014.

The Company's supplier payment policy described in the two preceding paragraphs is thus supported by a) Payments to suppliers of agreements entered into by the Company with the Public Authorities: in Article 228.5 of the TRLCSP (all the requirements of which were met) and b) Payments to other suppliers: in Transitional Provision Two of Law 15/2010 and, where applicable, the provisions of Article 9 of Law 3/2004, which does not consider "payment deferral due to objective reasons" to be abusive, taking into consideration in both case a) and case b) the usual payment period in the business sectors in which the Company operates.

Furthermore, the Company acknowledges and pays suppliers, always by mutual agreement, the late-payment interest agreed in the agreements and provides them with negotiable payment methods associated with actions for collection of a bill of exchange, and the discount costs, if any, are borne by the Company. Such agreements, which are expressly provided for in the TRLCSP, as described above, are also allowed by Directive 2011/7/EU of 16 February, of the European Parliament and of the Council.

In compliance with the aforementioned ICAC resolution, the following table shows the payments made and the outstanding payments to suppliers.

PAYMENTS MADE AND OUTSTANDING PAYMENTS AT THE BALANCE-SHEET DATE

	2014		2013	
	Amount	%	Amount	%
Within the maximum payment period	127,884	69	127,000	71
Other	58,391	31	51,494	29
Weighted average period of late payment	**186,275**	**100**	**178,494**	**100**
Weighted average period of late payment	94 days		89 days	
Payments at year-end not made in the maximum payment period	15,638		19,870	

In relation to the above, Final Provision Two of Law 31/2014, of 3 December, reforming the Spanish Limited Liability Companies Law, amending Additional Provision Three of Law 15/2010, establishes the obligation to disclose the average payment period to suppliers. At the date of preparation of these financial statements, the ICAC had not issued the Resolution required under section 4 of the aforementioned Additional Provision Three, in relation to the methodology used for calculating the average payment period and, accordingly, this information was not disclosed in the financial statements for 2014.

19. INFORMATION ON THE NATURE AND RISKS OF FINANCIAL INSTRUMENT

The concept of financial risk refers to the changes in the financial instruments arranged by Fomento de Construcciones y Contratas, S.A. as a result of political, market and other factors and the repercussion thereof on the financial statements. The risk management philosophy of the Company and the FCC Group 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 organisation in the appropriate manner.

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

a. Capital risk

The Company and the FCC Group manage their capital to reasonably ensure that the Group companies are capable of continuing as profitable businesses while maximising the return for the shareholders.

The strategy of the Group as a whole continues to focus on geographical diversification and the development and expansion of its business activities in both OECD countries and emerging markets.

Financial management, which is responsible for the management of financial risks, periodically reviews the debt-equity ratio and compliance with the financing covenants and the capital structure of the subsidiaries.

b. Interest rate risk

Fomento de Construcciones y Contratas, S.A. and the FCC Group are exposed to risks arising from interest rate fluctuations, since the financial policy aims to guarantee that their current financial assets and debt are partially tied to floating interest rates. The reference interest rate for the bank borrowings arranged in euros is mainly Euribor.

Any interest rate increase could increase the borrowing costs on the debt tied to floating rates and could increase, in turn, the refinancing costs of the debt and the costs involved in issuing new debt.

In order to ensure a position that is in the best interest of the Company and of the FCC Group, an interest rate risk management policy is actively implemented based on the ongoing monitoring of markets and on assuming different positions based primarily on the asset being financed.

c. Solvency risk

It should be noted in relation to "Solvency risk" that, although the Company's financial statements present a loss of EUR 906,473 thousand, these relate mostly to the accounting losses or, as the case may be, non-recurring losses, due to the write-down of assets and adjustments to certain investments at the FCC Environment (UK) and FCC Construcción Groups, which are operating losses that do not affect cash and will not affect the borrowings of the Company and the FCC Group in the future (and, therefore, will similarly not affect their solvency risk).

d. Liquidity risk

Fomento de Construcciones y Contratas, S.A. and the FCC Group perform their transactions in industries which require a high level of financing, and to date they have has obtained adequate financing to be able to carry on their operations. However, they cannot guarantee that these circumstances relating to the obtainment of financing will continue in the future.

The capacity of the Company and of the FCC Group to obtain financing depends on many factors, many of which are outside their control, such as general economic conditions, the availability of bank funds and the monetary policies of the markets in which they operate. Unfavourable conditions in the debt and capital markets can obstruct or impede the obtainment of adequate financing for the performance of business activities.

Apart from seeking new sources of financing, the Company and the FCC Group may need to refinance a portion of their current debt through bank loans and debt issues, since a significant portion of the financing matures in 2018. Historically, the FCC Group has always been able to renew its loan agreements and expects to continue to do so over the next twelve months. However, the ability to renew the loan agreements depends on various factors, many of which are outside the control of the FCC Group, such as the general conditions of the economy, the availability of funds for loans from private investors and financial institutions and the monetary policies of the markets in which it operates. Unfavourable conditions in the debt markets can obstruct or impede the FCC Group's capacity to renew its financing. Therefore, the FCC Group cannot guarantee its capacity to renew the loan agreements on economically attractive terms. The inability to renew these loans or ensure adequate financing on acceptable terms could have an adverse impact on the liquidity of Fomento de Construcciones y Contratas, S.A. and its Group and on its ability to cover working capital requirements.

In order to adequately manage this risk, Fomento de Construcciones y Contratas, S.A. closely monitors the maturities of all the credit lines and financing of each of the Group companies so that they can be renewed in sufficient time and on the best terms offered by the market, analyses the suitability of the financing on a case-by-case basis and studies any alternatives with more favourable terms. In addition, Fomento de Construcciones y Contratas, S.A. is present in various markets in order to facilitate the obtainment of financing and to mitigate liquidity risk.

In this connection, the most significant of the credit facilities of the Company and of the FCC Group came into force in June 2014. A syndicated four-year loan of EUR 4,528 million with certain covenants enabling the maturity of the Group's debt to be extended significantly. These include the obtainment and renewal of new working capital financing lines (leasing, factoring, reverse factoring, etc.), and international guarantee lines of EUR 250 million, extendible to EUR 450 million and the novation for six years (until October 2020) of the current convertible bond of EUR 450 million.

With the entry into force of the refinancing and the capital increase, the Company and the FCC Group understand that the factors raising doubts as to their continuity no longer exist and that they can finance their business activities.

Both transactions form one of the basic pillars for reaching the restructuring and profitability objectives foreseen in the Strategic Plan.

e. Foreign currency risk

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 made in the same currency.

Although the Company's reference currency and the currency with which it mainly operates is the euro, the FCC Group also has certain financial assets and liabilities denominated in currencies other than the euro. The foreign currency risk arises mainly on debt denominated in foreign currencies, on investments to be made in international markets and on amounts received in a currency other than the euro, which are concentrated mainly at its subsidiaries.

The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to fluctuations in foreign currencies, with regard to both transactional and purely equity-related changes. The Company therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

f. Concentration risk

This risk arises from the concentration of financing transactions with common features which are distributed as follows:

- Sources of financing: In order to diversify this risk, the Company and the FCC Group work with numerous Spanish and international financial institutions in order to obtain financing.
- Markets/geographical areas (domestic and foreign): The Company operates basically in the domestic market and, therefore, the debt is concentrated mainly in euros.
- Products: The Company uses various financial products, including loans, credit facilities debt securities, syndicated transactions, factoring, discounting, etc.

g. Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Company, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position could result in the risk of non-payment of the amounts owed.

The Company and the FCC Group request commercial reports and assess the financial solvency of its customers before entering into agreements with them and also engage in ongoing monitoring of customers, and they have a procedure in place to be followed in the event of insolvency. In the case of public customers, the FCC Group follows the policy of not accepting projects without an allocated budget and financial approval. Offers exceeding a certain collection period must be authorised by Financial Management. Furthermore, late payment is monitored on an ongoing basis by specific bodies, including the risk committees.

h. Financial derivatives designated as hedging instruments

EIn general, the financial derivatives arranged by the Company are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in the notes to the financial statements. The main financial risk hedged by the Company using derivative instruments relates to fluctuations in the floating interest rates to which the project financing of the joint venture Gestión Instalación III (see note 8-c) is tied. Financial derivatives are measured by experts on the subject that are independent from the Group and the entities financing it, using generally accepted methods and techniques.

Sensitivity analyses are carried out periodically in order to observe the effect of a possible change in interest rates on the Group's accounts.

Accordingly, a simulation was performed using three rising basic yield curve scenarios around 0.17% at 31 December 2014, assuming increases in the curve of 25 bp, 50 bp and 100 bp. The amounts obtained in relation to the derivatives in force at year-end with an impact on equity are shown below (in thousands of euros), after the application, where applicable, of the percentage of ownership.

Hedging derivatives

	+25 bp	+50 bp	+100 bp
Impact on equity:	236	466	910

As in the case of derivatives, the table below summarises the effect that the aforementioned increases and decreases in the interest rate yield curve on the net debt, after excluding any hedged debt, would have on the Company's income statement:

Net debt

	+25 bp	+50 bp	+100 bp
Impact on the income statement	4,867	9,733	19,467

20. DEFERRED TAXES AND TAX MATTERS

a) Tax receivables and payables

The detail of the tax receivables and payables from/to Public Authorities is as follows:

a.1) Tax receivables

	2014	2013
Non-current		
Deferred tax assets	195,212	220,126
	195,212	220,126
Current		
Current tax assets	10,092	21,894
Other accounts receivable from Public Authorities	7,663	7,637
	17,755	29,531

"Deferred Tax Assets" includes basically, inter alia, the temporary differences arising from period depreciation and amortisation, provisions, impairment losses on investments and finance costs recognised that will be tax deductible in subsequent years, the deferral of losses contributed by joint ventures which will be included in the tax base for the following year and the temporary differences arising from the liability balance on measurement of derivatives.

Management of Fomento de Construcciones y Contratas, S.A., Parent of tax group 18/89 (see note 20-g), assessed the recoverability of the deferred tax assets by estimating the future tax bases relating to this group and concluded that there are no doubts as to their recoverability in a period of no more than ten years.

a.2) Tax payables

	2014		2013	
Non-current				
Deferred tax liabilities		66,316		87,203
Other accounts payable to Public Authorities		92,615		136,430
		158,931		223,633
Current				
Current tax liabilities		—		—
Other accounts payable to Public Authorities:		159,165		157,448
Tax withholdings payable	9,695		10,189	
VAT and other indirect taxes payable	22,005		20,900	
Accrued social security taxes payable	18,619		16,283	
Deferral of payments to Public Authorities (see note 18)	104,032		105,243	
Other	4,814		4,833	
		159,165		157,448

"Deferred Tax Liabilities" includes mainly the deferral of the depreciation charge relating to the non-current assets held under leases and that relating to investments in property, plant and equipment subject to accelerated depreciation pursuant to Law 4/2008, in addition to the deferral of the profits contributed by joint ventures which are included in the tax base for the following year.

b) Reconciliation of the accounting profit (loss) to the taxable profit (tax loss)

The reconciliation of the accounting profit (loss) to the taxable profit (tax loss) for income tax purposes is as follows:

	2014			2013		
Accounting profit (loss) for the year before tax			(895,953)			(470,068)
	Increase	Decrease		Increase	Decrease	
Permanent differences	1,077,232	(282,803)	794,429	815,732	(4,292)	811,440
Adjusted accounting profit (loss)			(101,524)			341,372
Temporary differences						
- Arising in the year	—	(24,815)	(24,815)	301,108	(18,718)	282,390
- Arising in prior years	31,894	(1,156)	30,738	61,624	(16,188)	45,436
Taxable profit (tax loss) arising from income and expense recognised in the income statement			**(95,601)**			**669,198**
Taxable profit (tax loss) arising from income and expense recognised in equity			**(27,773)**			**—**
Taxable profit (tax loss)			(123,374)			669,198

The foregoing table includes notably the permanent differences relating to 2014 and 2013. These differences arose from:

- The impairment losses on the investments in investees which form part of tax group 18/89 and, therefore, any reversal of the impairment loss in question in the coming years would be associated with the item for which the impairment loss was originally recognised.
- The treatment as permanent differences of deferred tax assets generated in the year.

The changes in deferred tax assets and liabilities in 2014 and 2013 were as follows:

	Deferred tax assets	Deferred tax liabilities
Taxable temporary differences (income statement liability method)		
Balance at 31-12-12	129,303	74,922
Arising in the year	90,332	5,615
Arising in prior years	(4,856)	(18,487)
Tax assets	(1,753)	—
Other adjustments	5,285	1,224
Balance at 31-12-13	218,311	63,274
Arising in the year	—	347
Arising in prior years	(7,445)	(9,568)
Other adjustments	(16,377)	(8,949)
Balance at 31-12-14	194,489	45,104
Temporary differences (balance sheet liability method)		
Balance at 31-12-12	15,455	26,818
Arising in the year	—	—
Arising in prior years	(13,640)	(2,889)
Balance at 31-12-13	1,815	23,929
Arising in the year	—	—
Arising in prior years	(1,092)	(113)
Other adjustments	—	(2,604)
Balance at 31-12-14	723	21,212
Total at 31-12-14	195,212	66,316

"Other Adjustments" arose as a result of the positive or negative differences between the estimate of the tax expense or benefit performed for the accounting closing and the amount per the subsequent settlement of the tax at the date of payment and of the adjustment of deferred tax assets and liabilities to the income tax rates applicable in 2015 (28%) and 2016 (25%).

c) Tax recognised in equity

At 31 December 2014, the tax recognised in equity related basically to the change in value of the Company's hedging instruments amounting to EUR 723 thousand (31 December 2013: EUR 1,309 thousand) and to capital increase expenses amounting to EUR 10,500 thousand.

d) Reconciliation of the accounting result to the income tax expense

The reconciliation of the accounting result to the income tax expense (benefit) is as follows:

	2014	2013
Adjusted accounting profit (loss)	(101,524)	341,372
Income tax charge (30%)	(30,457)	102,412
Inter-company double taxation tax credits	(6,648)	(131,157)
Reinvestment tax credits	—	(31)
Other tax credits and tax relief	—	(1,017)
Other adjustments	47,625	(3,781)
Income tax expense (benefit)	**10,520**	**(33,574)**

"Other Adjustments" includes basically the adjustment of deferred tax assets and liabilities due to the change in tax rate mentioned in point b) above (EUR 17,023 thousand) and to the adjustment made as a result of the non-recognition of the tax losses that it is considered will not be able to be offset by the tax group in the income tax return for 2014 (EUR 28,932 thousand).

e) Tax loss and tax credit carryforwards

At 2014 year-end the Company did not have any tax loss carryforwards.

In addition, it should be noted that the Company had tax credit carryforwards and, consequently, recognised the tax credit for reinvestment of extraordinary income arising in 2011 from the sale of the Torre Picasso building, amounting to EUR 4,983 thousand, which will be used in subsequent years (31 December 2013: same amount). The income qualifying for the reinvestment tax credit amounted to EUR 81,700 thousand. This reinvestment must have been made by 2014 at the latest in the assets listed in Article 42 of Legislative Royal Decree 4/2004, which must be retained for the legally established periods.

f) Years open for review and tax audits

Fomento de Construcciones y Contratas, S.A. has all the years not yet statute-barred open for review by the tax authorities for the taxes applicable to it. The criteria that the tax authorities might adopt in relation to the years open for review could give rise to contingent tax liabilities which cannot be objectively quantified. However, the Group's Senior Executives consider that any resulting liabilities would not significantly affect the Company's equity.

With respect to the years reviewed, it should be noted that the Company has not been issued tax assessments for significant amounts in the last four years and has filed the corresponding appeals, unless it has signed assessments on an uncontested basis.

To comply with the legal requirements concerning transfer pricing, the Company has established the necessary procedures to support its transfer prices and considers that there are no significant risks that they could give rise to any contingent liabilities.

g) Tax group

Under authorisation 18/89, Fomento de Construcciones y Contratas, S.A., as the Parent, files consolidated income tax returns with all the other Group companies that meet the requirements established by tax legislation.

h) Other tax disclosures

Income Tax Recovered/ (Paid)" in the accompanying statement of cash flows for 2014 includes mainly EUR 84,249 thousand of payments to the tax group companies as a result of the income tax losses contributed by them for 2013 and EUR 31,636 thousand of income tax paid over to the Spanish tax authorities in relation to deferred payments from prior years (see note 18-a).

21. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2014, Fomento de Construcciones y Contratas, S.A. had provided EUR 646,633 thousand (31 December 2013: EUR 595,598 thousand) of guarantees, mostly consisting of completion bonds provided to Government Agencies and private-sector customers as security for the provision of urban cleaning contract services.

At 2014 year-end the Company had also provided guarantees to third parties for certain Group companies amounting to EUR 376,151 thousand (31 December 2013: EUR 507,227 thousand). These include, most notably, EUR 179,331 thousand relating to Environmental Services companies and EUR 132,258 thousand relating to Construction companies in relation to the activity carried on by them. Also, the Company is guaranteeing the fulfilment of the street furniture advertising contract of the subsidiary Cemusa Inc. in New York.

Fomento de Construcciones y Contratas, S.A. and the joint ventures in which it has interests are acting as defendants in lawsuits in relation to the liability inherent to the various business activities carried on by the Company in the performance of the contracts awarded, for which the related provisions have been recognised (see notes 16 and 4-j). Accordingly, any resulting liabilities would not have a significant effect on the Company's equity.

The insolvency proceedings initiated in 2013 by Alpine Bau GmbH (the head of the group of operating companies of the Alpine Group) and Alpine Holding GmbH (the parent of Alpine Bau GmbH), both of which are subsidiaries of FCC Construcción, S.A., could give rise to liability that might affect Fomento de Construcciones y Contratas, S.A. as the parent and owner of all the shares of FCC Construcción, S.A. These proceedings are discussed in the notes to the FCC Group's consolidated financial statements.

On 15 January 2015 the Competition Section of the Spanish National Markets and Competition Commission issued a resolution in relation to case file S/0429/12 for an alleged infringement of Article 1 of Spanish Competition Law 15/2007. The aforementioned resolution affects various companies and associations in the waste industry, including Fomento de Construcciones y Contratas, S.A. This resolution will be appealed at the Judicial Review Chamber of the National Appellate Court. Company Management did not recognise any provision to cover the financial consequences of the aforementioned resolution, since it is considered that it is a court proceeding with a right of appeal and in which the definitive penalty to be imposed, where applicable, shall be specified in such decisions as might be handed down.

22. INCOME AND EXPENSES

The revenue and the income from sales and services include the dividends and the accrued interest on the financing granted to investees (see note 2). Substantially all of the balance of "Sales and Services" was earned in Spain.

The detail, by area, of "Sales and Services" is as follows:

	2014	2013
Environmental Services	1,200,700	1,200,717
Integral Water Management	55,401	66,996
	1,256,101	1,267,713

The detail of "Staff Costs" is as follows:

	2014	2013
Wages and salaries	585,015	611,045
Employee benefit costs	198,444	206,952
	783,459	817,997

The collective redundancy procedure initiated by the Company in 2013 was completed in January 2014. However, most of the terminations had been made by the end of 2013, and in 2013 EUR 13,547 thousand were recognised under "Staff Costs" in this connection. This amount includes termination benefits and the estimated social security obligations arising from this collective redundancy procedure.

"Impairment and Gains or Losses on Disposals of Non-Current Assets and Other Gains or Losses" includes an expense of EUR 64,000 thousand to cover risks in international projects in relation to the insolvency proceedings of Alpine.

"Finance Income From Marketable Securities and Other Financial Instruments of Group Companies and Associates" includes the interest earned on the financing granted to investees (see note 10), which includes most notably that relating to FCC Construcción, S.A., amounting to EUR 30,152 thousand (31 December 2013: EUR 69,795 thousand) and to Azincourt Investment, S.L., amounting to EUR 23,946 thousand (31 December 2013: EUR 34,733 thousand).

"Finance Income" includes most notably EUR 135,000 thousand arising from a debt reduction agreed on in the novation of the financing agreement entered into as a result of the partial repayment of Tranche B of the loan, as indicated in note 17-b.

Also, the new restructuring framework agreement (see note 17-b) gave rise to substantial amendments to the refinancing terms and conditions and, therefore, in 2014 the Company charged all the expenses incurred in the refinancing already paid, amounting to EUR 61,374 thousand, to "Finance Costs - On Debts to Third Parties".

23. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party transactions

The detail of the transactions with related parties in 2014 and 2013 is as follows:

	Group companies	Joint ventures	Associates	Total
2014				
Services rendered	68,488	10,539	908	**79,935**
Services received	27,320	563	343	**28,226**
Dividends	18,978	1,642	1,539	**22,159**
Finance costs	16,434	—	—	**16,434**
Finance income	103,710	4,662	49	**108,421**
2013				
Services rendered	60,365	9,005	880	**70,250**
Services received	33,513	349	226	**34,088**
Dividends	434,338	2,929	1,198	**438,465**
Finance costs	26,406	—	—	**26,406**
Finance income	147,124	2,113	1	**149,238**

b) Related party balances

The detail of the related party balances at 31 December 2014 and 2013 is as follows:

	Group companies	Joint ventures	Associates	Total
2014				
Current financial assets (note 10)	445,495	48,847	32	**494,374**
Non-current financial assets (note 10)	3,305,458	428,127	11,669	**3,745,254**
Current payables (note 10)	543,369	6,534	—	**549,903**
Non-current payables (note 10)	200,774	—	—	**200,774**
Trade receivables	60,161	8,306	1,385	**69,852**
Trade payables	18,917	429	39	**19,385**
2013				
Current financial assets (note 10)	918,989	2,078	3,506	**924,573**
Non-current financial assets (note 10)	2,884,865	8,918	8,311	**2,902,094**
Current payables (note 10)	516,057	25	—	**516,082**
Trade receivables	44,492	5,930	205	**50,627**
Trade payables	17,067	131	54	**17,252**

The detail of the trade receivables from and payables to Group companies and associates is as follows:

	2014		2013	
Company	Receivable	Payable	Receivable	Payable
FCC Construcción, S.A.	31,603	1,800	19,927	1,361
Limpieza e Higiene de Cartagena, S.A.	3,702	—	3,385	14
FCC Aqualia, S.A.	3,503	1,266	4,678	1,614
Hidrotec Teconología del Agua, S.L.	3,080	516	12	59
Ecoparc del Besós, S.A.	2,609	5	1,078	12
Serveis Municipals de Neteja de Girona, S.A.	2,410	—	1,336	—

	2014		2013	
Company	Receivable	Payable	Receivable	Payable
Cementos Portland Valderrivas, S.A.	2,287	24	44	10
Servicios Urbanos de Málaga, S.A.	1,850	—	1,941	—
Societat Municipal Mediambiental d'Igualada, S.L.	1,845	—	1,551	—
FCC Ámbito, S.A.	1,709	182	1,879	275
FCC Saudí Company	1,580	—	—	—
FCC Medio Ambiente, S.A.	1,477	691	1,023	734
FCC Industrial e Infraestructuras Energéticas, S.A. Unipersonal	1,459	1,039	1,551	1,567
Empresa Comarcal de Serveis Mediambientals del Baix Penedès ECOBP, S.A.	1,205	—	1,543	—
FM Green Power Investments, S.L.	1,023	—	1,023	—
Grupo .A.S.A.	966	—	1,334	—
Gandía Serveis Urbans, S.A.	769	68	1,111	—
Servicios Especiales de Limpieza, S.A.	507	1,989	437	1,607
Tratamiento Industrial de Aguas, S,.A.	82	5,642	87	5,783
Ingeniería Urbana, S.A.	52	—	1,866	—
Gestió de Recuperació de Terrenys, S.A.	—	1,239	—	848
Other	6,134	4,924	4,821	3,368
	69,852	19,385	50,627	17,252

c) Remuneration of the Directors of the Company and Senior Executives of the FCC Group

The Directors of Fomento de Construcciones y Contratas, S.A. earned the following amounts (in thousands of euros):

	2014	2013
Fixed remuneration	2,900	2,950
Other remuneration	2,625	784
	5,525 (*)	3,734 (**)

(*) In 2014 Mr. Juan Béjar Ochoa earned triennial variable remuneration of EUR 1,600 thousand corresponding to 2013, the payment thereof being subject to his contractual terms and conditions.

(**) Adicionalmente, a las cifras anteriores habría que añadir 7,500 miles de euros, importe correspondiente a la (**) Furthermore, EUR 7,500 thousand should be added to the figures in the foregoing table in relation to the termination benefit agreed upon with the former CEO for early termination of his contract.

The Senior Executives listed below, who are not members of the Board of Directors, earned total remuneration of EUR 4,131 thousand in 2014 (2013: EUR 4,192 thousand).

2014	
Mr. Agustín García Gila	Chairman of Environmental Services
Mr. Eduardo González Gómez	Chairman of FCC Aqualia and Director of Institutional Relations of FCC
Mr. José Luis Sáenz de Miera Valderrivas	Chairman and CEO of Cementos Portland Valderrivas
Mr. Miguel Jurado Fernández	Chairman of FCC Construcción
Mr. Juan José Drago Masià	General Administration Manager
Mr. Miguel Hernanz Sanjuan	General Internal Audit Manager
Mr. Victor Pastor Fernández	General Finance Manager
Mr. José Manuel Velasco Guardado	General Communication and Corporate Responsibility Manager
Ms. Ana Villacañas Beades	General Organisation Manager

2013	
Mr. Agustín García Gila	Chairman of FCC Medio Ambiente
Mr. Eduardo González Gómez	Chairman of Energy and Chairman of Aqualia
Mr. Fernando Moreno García	Chairman of FCC Construcción, S.A.
Mr. Antonio Gómez Ciria	General Administration Manager
Mr. Miguel Hernanz Sanjuan	General Internal Audit Manager
Mr. Victor Pastor Fernández	General Finance Manager
Mr. José Luis Sáenz de Miera	Chairman and CEO of Cementos Portland Valderrivas
Mr. José Manuel Velasco Guardado	General Communication and Corporate Responsibility Manager
Ms. Ana Villacañas Beades	General Organisation Manager

In the past, an insurance policy was arranged and the premium paid to meet payment of the contingencies relating to death, permanent occupational disability, retirement bonuses and other items for some of the Executive Directors and Executives of Fomento de Construcciones y Contratas, S.A. (see note 4-l). In 2014 a further contribution was made in the form of premiums for this insurance amounting to EUR 1,711 thousand (2013: EUR 800 thousand) and income amounting to EUR 609 thousand was received for rebates on premiums paid previously (2013: EUR 3,259 thousand).

Except as indicated in the foregoing paragraphs, no other remuneration, advances, loans or guarantees have been granted to the Directors and there are no pension or life insurance obligations to former or current Directors.

d) Detail of investments in companies engaging in similar activities and performance of similar activities by the Directors or persons related to them as independent professionals or as employees

In relation to the investments held by the Directors of Fomento de Construcciones y Contratas, S.A., or persons related to them, in the share capital of companies outside the FCC Group; or in relation to whether they, as independent professionals or as employees, engage in a similar or complementary activity to that which constitutes the company object of the Group; or in relation to whether they themselves or a person acting on their behalf have performed, with the Company or with any company of the same Group, other transactions outside the course of the Company's ordinary business operations or in conditions that were not on an arm's length basis; it should be mentioned that the aforementioned Directors have stated that they or persons related to them:

- Do not carry on, as independent professionals or as employees, any activity that is identical, similar or complementary to the activity that constitutes the Company's object.

- Do not own any investments in the share capital of companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Fomento de Construcciones y Contratas, S.A.

- Had not performed, with the Company or any company of the same Group, other transactions outside the course of the Company's ordinary business operations, or in conditions that were not on an arm's length basis.

The detail of the Directors who hold positions at companies in which Fomento de Construcciones y Contratas, S.A. holds a direct or indirect ownership interest is as follows:

Name or company name of Director	Group company name	Position
EAC Inversiones Corporativas, S.L.	Cementos Portland Valderrivas, S.A.	Director
	FCC Construcción, S.A.	Director
Mr. Juan Béjar Ochoa	Cementos Portland Valderrivas, S.A.	Director
Mr. Rafael Montes Sanchez	Cementos Portland Valderrivas, S.A.	Director
D. Felipe B. García Pérez	FCC Construcción, S.A.	Director Secretary
	FCC Power Generation, S.L. Unipersonal	Director Secretary
EAC Medio Ambiente, S.L.	Cementos Portland Valderrivas, S.A.	Director
Mr. Olivier Orsini	Cementos Portland Valderrivas, S.A.	Director
Mr. Gustavo Villapalos Salas	Cementos Portland Valderrivas, S.A.	Director

These Directors hold positions or discharge functions and/or hold ownership interests of less than 0.01% in all cases in other FCC Group companies in which Fomento de Construcciones y Contratas, S.A. directly or indirectly holds a majority of the voting power.

At the end of 2014 neither the members of the Board of Directors of Fomento de Construcciones y Contratas, S.A. nor the persons related to them as defined in the Spanish Limited Liability Companies Law had notified the other members of the Board of Directors of any direct or indirect conflict of interest they might have with respect to the Company.

24. INFORMATION ON THE ENVIRONMENT

As indicated in note 1, by their very nature, the Company's Environmental Services and Integral Water Management businesses are geared towards environmental protection and conservation, not only through the production activity itself (waste collection, operation and control of landfills, sewer cleaning, treatment and elimination of industrial waste, wastewater treatment, etc.), but also as a result of performing these activities using production techniques and systems designed to reduce environmental impact in accordance with the limits established in the relevant legislation.

The performance of production activities described above requires the use of specialised structures, plant and machinery that are efficient in terms of environmental protection and conservation. At 31 December 2014, the acquisition cost of the non-current assets assigned to the above activity totalled EUR 1,141,628 thousand (31 December 2013: EUR 1,170,094 thousand), with accumulated depreciation amounting to EUR 749,991 thousand (31 December 2013: EUR 735,759 thousand).

Company management considers that any possible contingencies in relation to the protection and improvement of the environment at 31 December 2014 would not have a material impact on the accompanying financial statements.

As indicated in note 1, Fomento de Construcciones y Contratas, S.A. is the Parent of the FCC Group which operates various business lines and, due to the nature thereof, pays particular attention to controlling the impact on the environment. These matters are discussed in detail in the Group's Corporate Social Responsibility report, which is published annually on FCC's website, www.fcc.es, among other channels, and provides the reader with more representative information than that included in this note.

25. OTHER DISCLOSURES

a) Employees

The average number of employees at the Company in 2014 and 2013 was as follows:

	2014	2013
Managers and university graduates	321	383
Professionals with qualifications	377	364
Clerical and similar staff	784	841
Other salaried employees	23,227	23,383
	24,709	24,971

At 31 December 2014 and 2013, the number of employees, Directors and Senior Executives of the Company, by gender, was as follows:

	Men	Women	Total
2014			
Directors	9	5	14
Senior Executives	6	1	7
Managers and university graduates	213	67	280
Professionals with qualifications	286	70	356
Clerical and similar staff	326	414	740
Other salaried employees	17,343	4,761	22,104
	18,183	5,318	23,501
2013			
Directors	13	5	18
Senior Executives	6	1	7
Managers and university graduates	244	89	333
Professionals with qualifications	270	66	336
Clerical and similar staff	351	416	767
Other salaried employees	17,929	4,786	22,715
	18,813	5,363	24,176

b) Fees paid to auditors

In 2014 and 2013 the fees for financial audit and other services provided by the Company's auditors, Deloitte, S.L., or by a company related to the auditors as a result of a relationship of control, common ownership or common management were as follows: fees paid to auditors: EUR 214 thousand (31 December 2013: same amount), fees for other attest services: EUR 1,241 thousand (31 December 2013: EUR 33 thousand), and fees for other services: EUR 263 thousand (31 December 2013: EUR 50 thousand).

The increase in fees for other attest services was due to the review work carried out by the Company's auditors, Deloitte, S.L., as a result of the refinancing and capital increase process that took place in 2014.

26. EVENTS AFTER THE REPORTING PERIOD

In relation to the New Restructuring Framework Agreement (see note 17), it should be noted that, having been approved by 86.5% of the lending institutions, a court approval process was initiated in order to apply the conditions to all of the lending institutions. Once this had approved by the relevant court, legal proceedings were initiated for the presentation of challenges, which at the date of preparation of these consolidated financial statements has not yet ended.

27. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see note 2). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDIX I. GROUP COMPANIES

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Aparcamientos Concertados, S.A. Arquitecto Gaudí, 4 - Madrid -Car parks-	2,500	-	100.00	337	630	204	-	508	343
Armigesa, S.A. Pza. Constitución, s/n - Armilla (Granada) -Urban cleaning-	612	-	51.00	55	1,200	148	-	157	116
.A.S.A. Abfall Service AG Hans-Hruschka-Gasse, 9 - Himberg (Austria) -Urban cleaning-	226,784	-	dta. 99.98 indt. 0.02	-	5,000	27,242	-	(11,091)	135
Asesoría Financiera y de Gestión, S.A. Federico Salmón, 13 - Madrid -Financiera-	3,008	-	dta. 43.84 indt. 56.16	-	6,843	31,840		2,372	(26,692)
Azincourt Investment, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Holding company-	1,445,686	1,333,466	100.00	-	4	852,574	-	(190)	(813,462)
Bvefdomintaena Beteiligungsverwaltung, GmbH Nottendorfer, 11 - Vienna (Austria) -Corporate vehicle-	155	-	100.00	-	35	6,246	-	(6,656)	(6,287)
Cementos Portland Valderrivas, S.A. Dormilatería, 72 - Pamplona -Cement-	409,552	-	dta. 70.22 indt. 9.33	-	77,680	443,203	1,376	15,825	(31,187)
Compañía General de Servicios Empresariales, S.A., Sole-Shareholder Co. Federico Salmón, 13 - Madrid -Corporate vehicle-	60	-	100.00	3	60	17	-	1	1
Corporación Española de Servicios, S.A. Federico Salmón, 13 - Madrid -Corporate vehicle-	44	-	dta. 99.99 indt. 0.01	2	60	16	-	-	-
Dédalo Patrimonial, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Holding company-	61	61	100.00	-	61	(36,660)	-	3,633	(49,142)

APPENDIX I. GROUP COMPANIES

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Ecoparque Mancomunidad del Este, S.A. Federico Salmón, 13 - Madrid -Urban cleaning-	16,803	-	dta. 99.99 indt. 0.01	-	16,805	7,754	-	3,386	1,019
Egypt Environment Services SAE Cairo - Egypt -Urban cleaning-	7,760	2,083	dta. 97.00 indt. 3.00	712	36,400 (Leg)(*)	(1,356) (Leg)(*)	-	21,924 (Leg)(*)	17,882 (Leg)(*)
Empresa Comarcal de Serveis Mediambientals del Baix Penedés, ECOBP, S.L. Plaça del Centre, 3 - El Vendrell (Tarragona) -Urban cleaning-	200	-	66.60	213	540	109	181	633	369
Estructuras Energéticas Generales, S.A. Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	50	-	dta. 51.00 indt. 49.00	-	60	50,219	-	(19)	(1,659)
Europea de Gestión, S.A., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	63	-	100.00	3	60	22	-	-	-
FCC Aqualia, S.A. Federico Salmón, 13 - Madrid -Water management-	254,768	-	100.00	-	145,000	509,897	-	73,003	29,566
FCC Equal CEE, S.L. Federico Salmón, 13 - Madrid -Social services-	3	3	dta. 99.97 indt. 0.03	-	3	-	-	(42)	(35)
FCC Construcción, S.A. Balmes, 36 - Barcelona -Construction-	1,728,051	623,116	100.00	-	220,000	744,576	-	28,633	(358,616)
FCC Construcciones y Contratas Internacional, S.L. Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	3	-	100.00	-	3	-	-	-	-

APPENDIX I. GROUP COMPANIES

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
FCC Fomento de Obras y Construcciones, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	3	-	100.00	-	3	-	-	-	-
FCC Inmobiliaria Conycon, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	3	-	100.00	-	3	-	-	-	-
FCC Medio Ambiente, S.A. Federico Salmón, 13 - Madrid -Urban cleaning-	35,102	-	dta. 98.98 indt. 1.02	-	43,272	28,259	-	25,614	4,925
FCC Power Generation, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Energy-	903	805	100.00	-	228	(275)	-	437	258
FCC Versia, S.A. Avenida Camino de Santiago, 40 - Madrid -Management company-	62,624	7,431	100.00	-	40,337	23,150	-	9,823	(24,458)
FCC 1, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	3	3	100.00	-	3	(4,493)	-	(2,326)	(2,394)
F-C y C, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	3	-	100.00	-	3	-	-	-	-
Fedemes, S.L. Federico Salmón, 13 - Madrid -Property development-	10,764	-	dta. 92.67 indt. 7.33	2,679	10,301	18,228	-	1,770	1,084
Gandia Serveis Urbans, S.A. Llanterners, 6 - Gandia (Valencia) -Urban cleaning-	78	-	95.00	-	120	1,866	-	1,802	16

APPENDIX I. GROUP COMPANIES

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Geneus Canarias, S.L. Electricista, 2 Urb. Ind. De Salinetas Telde (Las Palmas) -Waste treatment-	1,762	-	100.00	-	1,714	346	558	391	139
Geral I.S.V. Brasil Ltda. Río Branco, 131 - 10º - Andar Parte Centro Rio de Janeiro (Brazil) -Vehicle roadworthiness testing-	21	-	99.99	-	-	-	-	-	-
Limpiezas Urbanas de Mallorca, S.A. Crta. Can Picafort, s/n - Santa Margalida (Balearic Islands) -Urban cleaning-	5,097	-	dta. 99.92 indt. 0.08	-	308	4,330	-	862	458
Per Gestora Inmobiliaria, S.L. Federico Salmón, 13 - Madrid -Corporate vehicle-	71,543	9,679	dta. 99.00 indt. 1.00	14,850	60	77,041	-	2,716	(14,591)
Serveis Municipals de Neteja de Girona, S.A. Pza. del vi, 1- Girona -Urban cleaning-	45	-	75.00	113	60	20	-	518	116
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A. Doctor Jiménez Rueda, 10- Atarfe (Granada) -Waste treatment-	1,334	21	60.00	-	2,224	(2)	-	(26)	(44)
Sistemas y Vehículos de Alta Tecnología, S.A. Federico Salmón, 13 - Madrid -High-technology equipment retailing-	5,828	-	99.99	-	180	5,155	-	1,225	461
Societat Municipal Medioambiental d'Igualada, S.L. Pl. del Ajuntament, 1 - Igualada (Barcelona) -Urban cleaning-	870	-	65.91	12	1,320	69	-	124	23

APPENDIX I. GROUP COMPANIES

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Tratamientos y Recuperaciones Industriales, S.A. Rambla Catalunya, 2-4 - Barcelona -Waste treatment-	21,455	14,421	dta. 74.92 indt. 0.08	-	72	7,995	-	312	150
Valoración y Tratamiento de Residuos Urbanos, S.A. Riu Magre, 6 - Pol. Ind. Patada del Cid- Quart de Poblet (Valencia) -Waste treatment-	2,500	-	80.00	-	3,125	349	-	856	513
Total	4,316,102	1,991,090		18,979					

(*) (EGP): Egyptian pounds

Note:

- Of the companies shown above, only Cementos Portland Valderrivas, S.A. is a listed company and its market price at the balance sheet date was EUR 3.82. The average market price in the last quarter of 2014 was EUR 4.07.

- As required by Article 155 of the Consolidated Text of the Spanish Limited Liability Companies Law, in 2014 the Company made the requisite notifications to the companies in which it had acquired direct or indirect holdings of over 10%.

APPENDIX II. JOINT VENTURES

	% of ownership
ABASTECIMIENTO VILLALÓN	20.00
AGARBI	60.00
AGUAS TOMELLOSO	20.00
AKEI	60.00
ALCANTARILLADO MELILLA	50.00
ALUMBRADO BAZA	100.00
AQUALIA – FCC – OVIEDO	5.00
ARCOS	51.00
ARGÍ GUEÑES	70.00
ARUCAS II	70.00
ASEOS EMT UTE	50.00
AZUD VILLAGONZALO	20.00
BARBERA SERVEIS AMBIENTALS	50.00
BILBOKO LORATEGIAK	60.00
BILBOKO SANEAMENDU	50.00
BILBOKO SANEAMENDU BI	50.00
BIOCOMPOST DE ÁLAVA	50.00
BOADILLA	50.00
BOMBEO ZONA SUR	100.00
CAMÍ SA VORERA	20.00
CANA PUTXA	20.00
CANGAS	50.00
CASTELLAR DEL VALLÈS	50.00
CEMENTERIOS PERIFÉRICOS II	50.00
CENTRO DEPORTIVO GRANADILLA DE ABONA	20.00
CENTRO DEPORTIVO VILLENA	81.83
CGR GUIPUZCOA	35.14
CHIPIONA	50.00
CLAUSURA SAN MARCOS	40.00
COLEGIOS SANT QUIRZE	50.00
CONSERVACIÓN ALCORCON	50.00
CONSERVACIÓN DE GALERÍAS	50.00
CONSERVACION GETAFE	20.00
CONSERVACIÓN Y SISTEMAS	60.00
CONTENEDORES MÓSTOLES	30.00
CTR DE L'ALT EMPORDÀ	45.00
CTR-VALLÈS	20.00
CUA	50.00
CYCSA-EYSSA VIGO	50.00

	% of ownership
DEIXALLERIES	20.00
DOS AGUAS	35.00
ECOPARQUE CÁCERES	50.00
ECOURENSE	50.00
EDAR ALMANSA	5.00
EDAR CUERVA	5.00
EDAR RANILLA	25.00
EDAR REINOSA	5.00
EDAR SAN VICENTE DE LA BARQUERA	5.00
EDIFICIO ARGANZUELA	99.99
ENERGÍA SOLAR ONDA	25.00
ENVASES LIGEROS MALAGA	50.00
EPELEKO PLANTA	35.00
ERETZA	70.00
EXPL. PL. BIO LAS DEHESAS	50.00
F.L.F. LA PLANA	47.00
F.S.S.	99.00
FCC SANEAMIENTO LOTE D	100.00
FCC, S.A. LUMSA	50.00
FCC – ACISA - AUDING	45.00
FCC – AQUALIA SALAMANCA	5.00
FCC - ERS LOS PALACIOS	50.00
FCC – FCCMA ALCOY	20.00
FCC – FCCMA R.B.U. - L.V. JAVEA	20.00
FCC – FCCMA R.B.U. SAN JAVIER	20.00
FCC – FCCMA SEGRIÀ	20.00
FCC – HIJOS DE MORENO, S.A.	50.00
FCC – PALAFRUGELL	20.00
FCC – PERICA	60.00
FCC – SUFI MAJADAHONDA	50.00
FCCSA – GIRSA	80.00
FCCSA – VIVERS CENTRE VERD, S.A.	50.00
FUENTES XÀTIVA	50.00
G. RESIDUOS AENA PALMA	100.00
GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40.00
GESTIÓN INSTALACIÓN III	34.99
GESTIÓN PISCINA DE MULA	20.00
GESTION SERVICIOS DEPORTES CATARROJA	100.00
GIREF	20.00

	% of ownership
GIRSA – FCC	20.00
GUADIANA	20.00
IBIZA	50.00
INTERIORES BILBAO	80.00
JARD. UNIVERSITAT JAUME I	50.00
JARDINES MOGAN	51.00
JARDINES PROTECCIÓN ESPECIAL	50.00
JARDINES TELDE	95.00
JUNDIZ	51.00
JUNDIZ II	51.00
KABIEZESGO KIROLDEGIA	60.00
LA CANDA	30.00
LA LLOMA DEL BIRLET	80.00
LEGIO VII	50.00
LEKEITIOKO MANTENIMENDUA	60.00
LIMPIEZA CARRIL BUS	30.00
LIMPIEZA Y RSU LEZO	55.00
LODOS ARAZURI	50.00
LOGROÑO LIMPIO	50.00
LOTES A Y B FUENLABRADA 2010	50.00
LV Y RSU ARUCAS	70.00
LV ZUMARRAGA	60.00
MANACOR	30.00
MANCOMUNIDAD DE ORBIGO	20.00
MANTENIMENT REG DE CORNELLÀ	60.00
MANTENIMIENTO DE COLEGIOS II	60.00
MANTENIMIENTO DE COLEGIOS III	60.00
MELILLA	50.00
MÉRIDA	10.00
MMT 5º CONTENEDOR	60.00
MNTO. MEDITERRANEA FCC	50.00
MNTO. INSPECCION DE TRABAJO	100.00
MURO	20.00
MUSKIZ III	70.00
NERBIOI IBAIZABAL 5º CONTENEDOR	60.00
NIGRÁN	10.00
ONDA EXPLOTACIÓN	33.33
PÁJARA	70.00
PAMPLONA	80.00

APPENDIX II. JOINT VENTURES

	% of ownership
PASAIA	70.00
PASAIAKO PORTUA BI	45.00
PAVIMENTO ZONA I	50.00
PISCINA CUB. MUN. ALBATERA	93.00
PISCINA CUB. MUN. L'ELIANA	100.00
PISCINA CUBIERTA BENICARLÓ	65.00
PISCINA CUBIERTA C. DEP. ALBORAYA	99.00
PISCINA CUBIERTA MANISES	100.00
PISCINA CUBIERTA PAIPORTA	90.00
PLA D'URGELL	100.00
PLANTA RSI TUDELA	60.00
PLANTA TR. FUERTEVENTURA	70.00
PLANTA TRATAMIENTO VALLADOLID	90.00
PLATGES VINAROS	50.00
PLAYAS GIPUZKOA	55.00
PLAYAS GIPUZKOA II	55.00
PONIENTE ALMERIENSE	50.00
POSU – FCC VILLALBA	50.00
POZUELO	20.00
PUERTO DE PASAIA	55.00
PUERTO DE PTO. DEL ROSARIO	70.00
PUERTO	50.00
PUERTO II	70.00
QUINTO CONTENEDOR	50.00
R.B.U. VILLA-REAL	47.00
R.S. PONIENTE ALMERIENSE	50.00
REDONDELA	10.00
REPARACIONES CASA CAMPO	100.00
REPOSTADOS ENTREVÍAS	50.00
RESIDENCIA	50.00
RESIDUOS 3 ZONAS NAVARRA	60.00
RSU TOLOSALDEA	60.00
S.U. BENICASSIM	35.00
S.U. BILBAO	60.00
S.U. OROPESA DEL MAR	35.00
SALTO DEL NEGRO	50.00
SAN FERNANDO	20.00
SANEAMIENTO URBANO CASTELLÓN	65.00
SANEJAMENT CELLERA DE TER	50.00

	% of ownership
SANEJAMENT MANRESA	80.00
SANT QUIRZE DEL VALLÉS	50.00
SANTOMERA	60.00
SANTURTZIKO GARBIKETA	60.00
SANTURTZIKO GARBIKETA II	60.00
SASIETA	75.00
SAV - FCC TRATAMIENTOS	35.00
SELECTIVA LAS PALMAS	55.00
SELECTIVA SAN MARCOS	65.00
SELECTIVA SAN MARCOS II	63.00
SELECTIVA UROLA-KOSTA	60.00
SELLADO VERTEDERO LOGROÑO	50.00
SERAGUA-FCC-VIGO	50.00
SIMÓN HERNÁNDEZ	50.00
SOLARES CEUTA	50.00
STA. COLOMA DE GRAMANET	61.00
S.U. ALICANTE	30.00
TABLADA	20.00
TOLOSAKO GARBIKETA	40.00
TORREJÓN	25.00
TRANSPORTE DEBARRENA TXINGUDI	60.00
TRANSPORTE SAN MARCOS	80.00
TREMP	51.00
TÚNEL PUERTO ALGECIRAS	30.00
TXINGUDIKO GARBIKETA	73.00
UROLA ERDIA	60.00
URRETXU Y ZUMARRAGA	65.00
URTETA	50.00
VALDEMORO	100.00
VALDEMORO 2	100.00
VERTEDERO GARDELEGUI II	70.00
VERTEDERO TALES Y CORTES	50.00
VERTRESA	10.00
VIDRIO MELILLA	50.00
VIGO RECICLA	70.00
VILLALÓN DE CAMPOS	20.00
VINAROZ	50.00
ZAMORA LIMPIA	30.00
ZARAGOZA DELICIAS	51.00

	% of ownership
ZARAUZKO GARBIETA	60.00
ZUMAIA	60.00
ZURITA	50.00
ZURITA II	50.00

APPENDIX III. ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Ecoparc del Besòs, S.A. Rambla Cataluña, 91-93 - Barcelona -Urban cleaning-	2,621	-	dta. 31.00 indt. 54.00	403	7,710	1,299	17,986	4,428	1,556
Ecoserveis Urbans Figueres, S.L. Avda. Alegries, s/n - Lloret de Mar (Girona) -Urban cleaning-	301	-	50.00	177	601	116	-	223	269
Empresa Mixta de Limpieza de la Villa de Torrox, S.A. Pz. de la Constitución, 1 - Torrox (Málaga) -Urban cleaning-	300	-	50.00	115	600	280	-	231	157
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A. Avda. Zorreras, 1 - Rincón de la Victoria (Málaga) -Urban cleaning-	300	-	50.00	122	601	229	-	155	53
FM Green Power Investments, S.L. Federico Salmón, 13 - Madrid -Energy-	273,514	266,286	49.00	-	86,753	200,158	-	-	(48)
Gestión Integral de Residuos Sólidos, S.A. Profesor Beltrán Ibaquena, 4 - Valencia -Urban cleaning-	10,780	4,797	49.00	-	13,124	216	367	(1,559)	(1,752)
Ingeniería Urbana, S.A. Pol. Industrial Pla de Vallonga, s/n - Alicante -Urban cleaning-	3,786	-	35.00	527	6,010	5,692	-	1,499	1,420
Palacio de Exposiciones y Congresos de Granada, S.A. Ps del Violón, s/n - Granada -Equipment management-	255	255	50.00	-	510	(1,148)	-	(759)	(583)

APPENDIX III. ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Pallars Jussà Neteja i Serveis, S.A. Pau Casals, 14 - Tremp (Lleida) -Urban cleaning-	25	-	40.00	17	60	2	-	4	3
Port Torredembarra, S.A. Edificio Capitanía Puerto Deportivo y Pesquero Torredembarra (Tarragona) -Operation of marinas-	304	-	dta. 15.71 indt. 13.09	-	1,865	203	-	(189)	(188)
Realia Business, S.A. Paseo de la Castellana, 216 - Madrid -Real estate-	125,617	66,090	dta. 34.31 indt. 2.65	-	73,769	129,208	-	(14,481)	(41,327)
Servicios Urbanos de Málaga, S.A. Ulises, 18 - Madrid -Urban cleaning-	1,610	-	51.00	297	3,156	630	-	-	-
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4,367	-	dta. 24.00 indt. 2.00	1,130	347,214 (Pm)(*)	334,333 (Pm)(*)	-	221,772 (Pm)(*)	100,121 (Pm)(*)
Total	**423,780**	**337,428**		**2,788**					

(*) (MXN): Mexican Pesos.

Note :

- Of the companies shown above, only Realia Business, S.A. is a listed company and its market price at the balance sheet date was EUR 0.51. The average market price in the last quarter of 2014 was EUR 0.87.

- As required by Article 155 of the Consolidated Text of the Spanish Limited Liability Companies Law, in 2014 the Company made the requisite notifications to the companies in which it had acquired direct or indirect holdings of over 10%.

DIRECTORS' REPORT

1. COMPANY SITUATION

Fomento de Construcciones y Contratas, S.A. is the Parent of the FCC Group and holds direct or indirect ownership of the investments in the Group's businesses and areas of activity. Consequently, with a view to providing information on the economic and financial events that took place during the year, placing them in their appropriate context, the Individual Director's Report of the FCC Group is as follows.

1.1. Company situation: Organisational structure and management decision-making process

On a primary level, the organisational structure of the FCC Group is composed of areas, which are divided into two large groups: operating and functional.

The operating areas encompass all the activities relating to the production line. As described in greater detail in note 1 to the consolidated financial statements, the FCC Group is composed of the following operating areas:

- Environmental Services.
- Integral Water Management.
- Construction.
- Cement.

Each of these operating areas is presided over by one or various Specialised Companies, which report to FCC and encompass the activities inherent to the Group.

The functional areas that provide support to the operating areas are as follows:

- **General Secretariat:** legal affairs of the FCC Group and coordination of the functioning of the various managing bodies.
- **Organisation:** includes the Human Resources, Information Technologies and Systems and Aggregate Purchases departments.
- **Administration:** administrative management, general accounting, tax management and administrative procedures.
- **Finance:** financial management of the FCC Group, relations with financial institutions, capital markets, shareholders, stock markets and the Spanish National Securities Market Commission (CNMV), financial analysis of investments, integrated Group financial management and control, management, budgetary and planning control.
- **Internal Audit:** effective oversight of the Internal Control System, which contributes to Good Corporate Governance, verifies correct compliance with applicable regulations and reduces the potential impact of risks in the attainment of the FCC Group's objectives.
- **Communication and Corporate Responsibility:** management of Communication Services, Corporate Image 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 decision-making bodies is as follows:

- **Board of Directors**: this is the body with the most wide-reaching, unrestricted powers, except for those expressly reserved by the Spanish Limited Liability Companies Law or the Bylaws, to the powers of the shareholders at the General Meeting.
- **Strategy Committee:** this supports the Board of Directors in determining the Group's strategy, in accordance with the guidelines agreed by the latter, by preparing the corresponding reports and proposals, reporting on the investment and divestment proposals, association agreements, third-party agreements, development of new lines of business and financial transactions that might affect the Group's strategy.
- **Executive Committee:** the Board of Directors delegates the most wide-reaching powers to the Executive Committee, which may exercise all the functions and powers conferred by the Bylaws and the Spanish Limited Liability Companies Law to the Board of Directors, with the sole exception of those that cannot be delegated.

- **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.

- **Nomination 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:** transaction of business which requires coordinated actions between various areas of activity.

More detailed 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).

1.2 Company situation: Company business model and strategy

1.2.1. Business model

FCC is one of the main European groups specialised in environmental services and infrastructure development, with a presence in over 20 countries worldwide. Over 44% of its billings arise from international markets, mainly Europe, Latin America and the United States.

Environmental Services

The Environmental Services Area has a solid presence in Spain and has been leader in the provision of environmental urban services for over 100 years, with a solid presence in the international sphere. In Spain, activities are performed through offices of the Parent and the specialised companies FCC Medio Ambiente, S.A. and FCC Ámbito, S.A., which engages in industrial waste management. Also, international business is carried on mainly by its subsidiary FCC Environment (UK) Limited, whose registered office is located in the UK, and by the .A.S.A Group, which operates in Austria and Eastern Europe. Both subsidiaries are leaders in the integral management of urban solid waste and energy recovery. Consequently, FCC's main line of business is considerably diverse in geographical terms, with 43.8% of total revenues stemming from international markets.

Environmental services generate recurring cash flows since they are based on long-term contracts (5-10 year contracts in waste collection and up to 30 years in urban waste treatment).

In Spain, FCC is leader in waste collection, street cleaning and green area upkeep, the contracts of which have a very high renewal rate upon expiry, and efforts are made to obtain new contracts.

The Environmental Services Area also includes the Industrial Waste sector, where FCC operates mainly in Spain and Portugal.

In Spain, it manages hazardous waste (with a market share of approximately 25%, making it market leader); and non-hazardous waste. In relation to recoverable non-hazardous industrial waste, FCC focuses mainly on paper and cardboard. It also operates in soil decontamination.

With regard to its international activities in Portugal, FCC is focused on the management and treatment of hazardous industrial waste. The company is leader with a market share of approximately 60%.

The Division's global activities saw an increase compared to 2013.

Integral Water Management

Like Environmental Services, Integral Water Management generates recurring cash flows, since it is based on long-term contracts (up to 30 years in water management and distribution).

91.9% of the income from this line derives from water management and distribution, where FCC estimates that it is ranked number two in terms of leadership in Spain through its subsidiary Aqualia, and number three in the Czech Republic through Aqualia Czech. Also, approximately 16.0% of the income generated by the water business hails from international markets.

FCC Aqualia is the sixth largest operator in the world and is ranked third in the private capital companies sector, according to the magazine Global Water Intelligence, the most widely renowned media source and main benchmark in the international water industry. This position enables FCC Aqualia to compete on an equal-footing basis in any international tender process, in a market which is still dominated by two major French operators.

In 2014 the volume of water sales in Spain stabilised for the first time since the economic crisis unfolded. A number of regulatory measures are also being implemented, which strengthen private water management in Spain, an activity with an ever-growing technological component, accompanied by service quality excellence aimed at guaranteeing a clean and healthy water supply for human consumption and, consequently, safeguarding human health. Such were the recent findings by the Spanish consumer organisation OCU, which, at the end of 2014, published an independent study on the quality of the water supply in 62 Spanish locations, nine of which were managed by FCC Aqualia. The OCU report classified the water supply as "Very good" and "Good".

Construction

The area's activity is divided into four lines of business:

- Civil engineering: Represents 77% of the area's revenues. Its activity is focused, inter alia, on the construction of roads, bridges, tunnels, railway infrastructure, airports, hydroelectric and port work.
- Non-residential building: Represents 13% of the area's revenues. Its activity is focused, inter alia, on the construction of administrative, health, cultural and sports centres.
- Residential building: Represented 3% of the area's revenues. Its activity is focused, inter alia, on the construction of housing units, housing developments and car parks.
- Industrial: Represents 7% of the area's revenues. Its activity is focused, inter alia, on the construction of mechanical and electrical facilities, distribution networks, generation plants, energy maintenance and efficiency.

The revenues from international markets represent approximately 50% of the total.

Cement

The FCC Group carries on its cement activity through Cementos Portland Valderrivas, S.A. (CPV), a company listed on the Spanish stock market interconnection system, in which it holds a 78% ownership interest. FCC's ownership interest in Cementos Portland Valderrivas was strengthened following the capital increase carried out in 2014. Its activity is geared towards the operation of quarries and mineral deposits for the manufacture of cement, which entails approximately 86% of the activity's total income. The remaining 14% is contributed by waste management and the concrete, mortar and aggregates businesses.

With regard to its geographical diversification, 64% of income comes from international markets. CPV is present in Spain, Tunisia and the US, although the company also exports mainly to the UK, North Africa and Canada.

CPV has an estimated penetration of 22% in Spain and 21% in Tunisia.

1.2.2. Company strategy

Throughout 2014 the Company continued to implement the measures set out in its 2013-2015 Strategic Plan and the year drew to a close with a 1,000 euro million capital increase, allowing the repayment of 900 million euro in refinanced debt recognised at the Group's parent, a debt of 100 million euro at Azincourt Investments, S.L. and 100 million euro at Cementos Portland Valderrivas. The latter took place in February.

A number of successful changes were made at the Company under the aforementioned Strategic Plan, i.e. lower dependence on the economic cycle and a decrease in major individual projects. However, these achievements did not hamper the operating flexibility we need in order to develop our businesses.

Our strategic objectives are based on strengthening our position as world leader in Environmental Services and Integral Water Management businesses, while we maintain our presence in the cement industry and in highly profitable construction projects. The Group's strategy is based on the following main pillars:

1. Strengthen the Environmental Services and Integral Water Management businesses

The Integral Water Management and Environmental Services Areas are a profitable business model and are low risk. Consequently, our strategy is focused on strengthening our position as world leader in both Environmental Services and the water industry, as well as in the cement market, with a presence in profitable construction projects. Furthermore, we will create new lines of business to support our international growth and permit expansion throughout Latin America, Central Europe, the Middle East, North Africa and the US.

2. International expansion of the Environmental Services and Integral Water Management businesses

The expansion of Environmental Services and Integral Water Management is key to our strategy. We consider that the growth of these areas reduces our company risk and boosts our geographical diversification. In Environmental Services, Latin America is a noteworthy target for new opportunities, whilst we leverage our businesses in central Europe. For the Integral Water Management business, our goal is to expand throughout Latin America, the Middle East, North Africa and the US, while availing of our presence in Spain. In order to achieve these objectives, we have specialised team that are widely experienced in international expansion, including penetrating new markets such as Chile, Tunisia and Saudi Arabia.

3. Strengthen flexibility and profitability in construction-related activities

We do not wish to have a capital-intensive business model for construction projects and we enhance the flexibility of our operations, maximising revenues and optimising costs.

4. Optimise the capital structure

Our objective is to achieve a viable capital structure with reasonable liquidity indicators. To pursue this end, we have put in place a number of measures, including refinancing and a strategic divestment plan. We are also focused on maintaining the flexibility required to achieve growth opportunities.

2. BUSINESS PERFORMANCE AND RESULTS

2.1. Operating performance

2.1.1.Highlights

Successful capital increase in the amount of 1,000 million euro
The Extraordinary General Shareholders' Meeting held on 20 November 2014, approved a capital increase with preferential subscription rights, in the amount of 1,000 million euro, which was launched by the Board of Directors of the 27th of the same month, equivalent to 133,269,083 new shares at a subscription price of 7.5 euro per share. On 19 December 2014, it was completed with the full subscription of the new shares and a bid-to-cover ratio for the shares of more than 9.2 times.

Accordingly, the current share capital stands at 260,572,379 shares.

The transaction has reduced debt, through the partial prepayment and restructuring of Tranche B included in the bank refinancing signed on June 2014, and has covered other engaged investment needs. It has also strengthened the equity structure and the Group result by reducing the financial burden.

Entry of a new significant shareholder into the capital of FCC
On 27 November 2014, the Company communicated the successful negotiations between the controlling shareholder (B-1998) and Control Empresarial de Capitales S.A. de C.V. (CEC), controlled by the Slim family. Subsequently, during the preferential subscription period of the capital increase carried out by the FCC Group, CEC signed a total of 66,794,810 newly issued FCC shares, representing 25.6% of the share capital of FCC after the capital increase.

Following the transaction and the recent capital reduction at B-1998, the resulting significant shareholder structure of FCC is: 25.6% held by CEC, 22.4% held by B-1998, and 5.7% held by BGI (Funds linked to Bill Gates).

FCC Construction obtains large new railway contracts outside Spain
Two consortia led by the Construction area obtained contracts totalling over 3,800 million euro for the year as a whole. Two underground metro projects are notable among the latter. It was awarded the contract to design and build line 2 of Lima Metro and a branch of line 4 for 3,300 million euro. The execution period envisioned is five years, after which the 30-year operation period will commence. In the Middle East, an FCC Construction-led consortium obtained a contract to build the Red line of Doha metro (Qatar) for 500 million euro.

The works portfolio attributable to FCC Construction reflects 6,213 million euro at year end, guaranteeing over 35 months' work aligned with a profitable and selective positioning process.

FCC Aqualia consolidated its presence in the Middle East and North Africa
FCC Aqualia, parent of the Water area, was awarded a contract for the construction of the Djerba desalination plant (Tunisia) for a total of 70 million euro. The contract includes the start-up and operation of a plant which will supply water to a total of 150,000 people.

Moreover, the company has won —as part of a consortium— a tender worth 300 million euro for the development and management of the sewerage network of Al Dhakhira (Qatar) over the next 10 years, with a served population of over 200,000 inhabitants. This contract marks the entry into the country and adds to its strategic presence in the area together with the concessions awarded previously in Saudi Arabia and UAE. With this new international expansion, FCC Aqualia is now present in over 15 countries as part of its selective expansion process in Europe, MENA and Latin America. With these new additions, the total population served amounts to 23.5 million users, with an income portfolio of 15,114 million euro at year-end, a growth of 1.7%.

Compliance with the divestment plan reach 80% completion, with 1,740 million euro
FSince the current Strategic Plan was implemented in the second quarter of 2013, the group has already completed and agreed on divestments of non-core assets amounting to 1,740 million euro; this means that 79% of the target of 2,200 million euro has been reached.

Regarding those completed in 2014, notable is the sale of the Logistics business for 32 million euro, the agreement to divest Cemusa (street furniture) for 80 million euro —which is now only awaiting certain administrative authorisations in order to complete the transfer— and the sale of FCC Environmental (industrial waste in USA) last month of October, for 69 million euro.

Among the assets pending sale in coming quarters, notable is the 50% stake in Globalvía, together with real estate assets and stakes in infrastructure concessions.

2.1.2. Executive Summary

- Revenues fell by 6.2% to 6,334.1 million euro, mainly due to the ongoing contraction in demand in Spain's construction sector and the more selective growth pursued in this area overseas.

- EBITDA grew by 12.1% to 804 million euro, thanks to the efficiency and restructuring measures implemented and the stability provided by the environmental "utilities" areas. Thus, the operating margin has increased over the year to 12.7%, compared to 10.6% in 2013.

- The business portfolio remains at historic highs of 32,996.5 million euro (-1.1% with respect to 31 December 2013), buoyed by the expansion in the Water area.

- Net attributable loss was -724.3 million euro, due to the accounting impact of non-recurring provisions and impairments in the amount of 781 million euro, with there being no impact on the cash flow for the year, completing the restructuring cycle undertaken since 2013.

- Net borrowings were reduced by 15.9% after the capital increase carried out in December and stood at 5,016 million euro at the end of 2014.

NOTE: Assets held for sale
The residual assets and liabilities in the Versia business (Cemusa) have been designated as "held for sale" since 30 June 2013 and are pending completion of the sale. In the same terms, it has registered those corresponding to the shares in GVI since 31 December 2013 (see note 2.1.5.3). Accordingly, their earnings are recognised under "results from discontinued operations" (note 2.1.4.5.2). Realia has also been reclassified as a continuing activity since 31 December 2014.

As a result of these changes, the income statement and cash flow statement for 2013 have been restated to enable comparison.

KEY FIGURES

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Net Revenues	6,334.1	6,750.0	-6.2%
EBITDA	804.0	717.3	12.1%
Ebitda margin	12.7%	10.6%	2.1 p.p
(EBIT)	(345.6)	(307.7)	12.3%
Ebit margin	-5.5%	-4.6%	-0.9 p.p
Income attributable to equity holders of the parent company	(724.3)	(1,506.3)	-51.9%
Operating cash flow	608.9	774.8	-21.4%
Investment cash flow	(167.2)	(411.5)	-59.4%

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Net equity	495.4	243.2	
Net interest-bearing debt	5,016.1	5,964.5	103.7%
Backlog	32,996.5	33,352.5	-15.9%
			-1.1%

2.1.3. Summary by business area

Area	Dec. 14	Dec. 13	Chg. (%)	% of/ 14 Total	% of/ 13 Total
(million euro)	REVENUE BY BUSINESS AREA				
Environmental Services	2,805.0	2,770.6	1.2%	44.3%	41.0%
Water	954.0	945.6	0.9%	15.1%	14.0%
Construction	2,076.1	2,597.1	-20.1%	32.8%	38.5%
Cement	542.9	540.9	0.4%	8.6%	8.0%
Corp. services & adjust.	(43.9)	(104.2)	-57.9%	-0.7%	-1.5%
Total	6,334.1	6,750.0	-6.2%	100.0%	100.0%

Area	Dec. 14	Dec. 13	Chg. (%)	% of/ 14 Total	% of/ 13 Total
(million euro)	REVENUES BY GEOGRAPHIC AREA				
Spain	3,540.5	3,880.1	-8.8%	55.9%	57.5%
UK	931.8	840.7	10.8%	14.7%	12.5%
Latin America	672.7	923.0	-27.1%	10.6%	13.7%
Central & Eastern Europe	520.0	560.4	-7.2%	8.2%	8.3%
MENA	338.9	178.1	90.3%	5.4%	2.6%
US and Canada	203.5	241.3	-15.7%	3.2%	3.6%
Others	126.7	126.4	0.2%	2.0%	1.9%
Total	6.334,1	6.750,0	-6.2%	100.0%	100.0%
	EBITDA				
Servicios Medioamb.	418.3	424.6	-1.5%	52.0%	59.2%
Agua	208.4	193.7	7.6%	25.9%	27.0%
Construcción	98.2	94.3	4.1%	12.2%	13.1%
Cemento	104.8	50.4	107.9%	13.0%	7.0%
S. corporativos y ajustes	(25.7)	(45.7)	-43.8%	-3.2%	-6.4%
Total	804.0	717.3	12.1%	100.0%	100.0%
	EBIT				
Environmental Services	(437.8)	(68.5)	N/A	126.7%	22.3%
Water	123.9	115.9	6.9%	-35.9%	-37.7%
Construction	27.8	(253.2)	-111.0%	-8.0%	82.3%
Cement	35.9	(24.2)	N/A	-10.4%	7.9%
Corp. services & adjust.	(95.4)	(77.7)	22.8%	27.6%	25.3%
Total	(345.6)	(307.7)	12.3%	100.0%	100.0%
	NET DEBT				
Environmental Services	1,764.4	2,162.5	-18.4%	35.2%	36.3%
Water	326.8	395.9	-17.5%	6.5%	6.6%
Construction	(212.3)	(164.1)	29.4%	-4.2%	-2.8%
Cement	1,304.3	1,363.7	-4.4%	26.0%	22.9%
Corp. services & adjust.	1,832.9	2,206.5	-16.9%	36.5%	37.0%
Total	5,016.1	5,964.5	-15.9%	100.0%	100.0%
	BACKLOG				
Environmental Services	11,669.7	11,884.8	-1.8%	35.4%	35.6%
Water	15,113.8	14,859.5	1.7%	45.8%	44.6%
Construction	6,213.0	6,608.1	-6.0%	18.8%	19.8%
Total	32,996.5	33,352.4	-1.1%	100.0%	100.0%

2.1.4. Income Statement

(million euro)	Dec. 14	Dec. 13 [1]	Chg. (%)
Net Revenues	**6,334.1**	**6,750.0**	**-6.2%**
EBITDA	**804.0**	**717.3**	**12.1%**
EBITDA margin	12.7%	10.6%	2.1 p.p
Non-recurring provisions	(98.0)	(358.7)	-72.7%
Impairment of non-current assets	(665.1)	(346.6)	91.9%
Amortisation of fixed assets	(404.3)	(425.8)	-5.0%
Other operating results	17.8	106.1	-83.2%
EBIT	**(345.6)**	**(307.7)**	**12.3%**
EBIT margin	-5.5%	-4.6%	-0.9 p.p
Financial income	(375.8)	(438.5)	-14.3%
Other financial results	(12.7)	(77.8)	-83.7%
Equity-accounted affiliates	(84.8)	34.3	-347.2%
Earnings before taxes (EBT) from continuing activities	**(818.8)**	**(789.7)**	**3.7%**
Corporate income tax expense	64.2	135.4	-52.6%
Result of continued operations	**(754.6)**	**(654.3)**	**15.3%**
Result of discontinued operations	21.2	(876.0)	-102.4%
Net Result	**(733.4)**	**(1,530.3)**	**-52.1%**
Minority interests	9.1	24.0	-62.1%
Income attributable to equity holders of the parent company	**(724.3)**	**(1,506.3)**	**-51.9%**

(1) Figures have been restated for the sole purpose of complying with IFRS 11 "Joint arrangements".

2.1.4.1. Net Revenues

The consolidated revenues of the Group totalled 6,334.1 million euro in 2014, a 6.2% decrease year-on-year.

Revenues from Construction fell 20.1% year-on-year due to the continued adjustment in recent years to public investment in infrastructure in Spain, where revenues have shrunk 28.3%. This is in addition to the fact that many important works in international markets are —as yet— in the initial phase; markets in which more selective growth objectives have been implemented and the company has focused on optimising profitability and cash generation, rather than expanding the activity.

Excluding the Construction business, revenues from the rest of the Group increased by 2.5%. In the area of Environmental Services, revenues rose 1.2% driven by business in the UK; while in the area of Water, revenues rose by 0.9% due to the strength of the concession business. In the area of Cement, revenues recorded a slight increase of 0.4% due to exports, which offset the decline in revenues in Spain, linked to the closure of unprofitable cement by-product sales.

Revenue breakdown, by region

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	3,540.5	3,880.1	-8.8%
UK	931.8	840.7	10.8%
Latin America	672.7	923.0	-27.1%
Central & Eastern Europe	520.0	560.4	-7.2%
Middle East & North Africa	338.9	178.1	90.3%
US and Canada	203.5	241.3	-15.7%
Others	126.7	126.4	0.2%
Total	**6,334.1**	**6,750.0**	**-6.2%**

By geographic area, the strong growth of 90.3% of revenues in Middle East and North Africa is worth attention. This is due to the commencement of works of the Riyadh metro in the Construction area. Income in Latin America fell by 27.1% mainly due to the completion of other projects such as the line 1 metro project and road re-structuring of Panama City. The works for the Lima metro are expected to start in the second quarter of 2015.

In the UK, revenues increased by 10.8% due to the commencement of the Mersey Gateway project, in the Construction area, and to the increase in the urban waste treatment, recycling and incineration activity in the Environmental area, in addition to the positive effect of the exchange rate of the British pound (+5.3%). In addition, during 2014, a number of urban waste recycling, processing and incineration facilities have started to operate.

Revenues fell by 7.2% in Central and Eastern Europe, mainly due to the termination of the civil works in Romania and Bulgaria, as well as the negative effect in the exchange rate in the Czech Republic (-5.7%). In USA and Canada, the 15.7% decrease in revenues was mainly due to the completion of the Toronto metro project in the Construction business.

% Revenues by region

% EBITDA by business area*

*Adjusted for Corporate Services

2.1.4.2. EBITDA

EBITDA amounted to 804 million euro in 2014, 12.1% increase compared to the same period from the previous year, and an improvement of 2.1 percentage points in the operating margin which climbed to 12.7%.

This improvement in profitability was due in large part to savings reached through the efficiency program and the restructuring measures implemented since the Strategic Plan launch, at the beginning of 2013. This is especially relevant in the Cement, Construction and Central Services areas.

2.1.4.3. Net Operating Profit (EBIT)

The net operating profit resulted in a negative balance of 345.6 million euro, after including non-recurring provisions and impairments of 748 million euro in the EBITDA, with no impact on the cash flow in the year, as well as the amortisation of property, plant and equipment and other operating results for a total amount of 401 million euro.

2.1.4.3.1 Non-recurring provisions

During the year, the Company has made non-recurring provisions totalling 98 million euro to cover both the impairment of real estate assets in the Construction area (in the amount of 34 million euro) and various risks at the level of the parent company (in the amount of 64 million euro).

In 2013, this line item included provisions amounting to 272.4 million euro to cover the valuation adjustment of assets, workforce restructuring costs and risks linked to certain international contracts in the area of Construction, in addition to a further 58.6 million euro in the area of Cement and 27.7 million euro in Corporate Services for restructuring costs.

2.1.4.3.2 Impairment of non-current assets

In 2014, an impairment of 649.7 million euro was recorded in the non-current assets of the subgroup FCC Environment (Environmental Services in the UK), as a result of the progressive closure forecast in some landfills which are no longer profitable due to lower volumes than expected as a result of a continued increase in the landfill tax in the past few years. This decision accelerates the change of the urban waste management business in the UK, giving considerably more weight to the recycling, recovery and treatment activity, so as to improve profitability in all the operations in the long-term.

In 2013, this line item included the impairment of the goodwill of the subgroup FCC Environment and of companies engaged in the industrial waste business in the amount of 262.7 million euro, together with the deterioration of other non-current assets amounting to 83.9 million euro —mainly concessions in the area of Construction and the concrete, mortar and aggregates businesses in the area of Cement.

2.1.4.3.3 Amortisation of fixed assets

The depreciation and amortization expense of property, plant and equipment in 2014 amounted to 404.3 million euro, which is 5% less than the previous year and in line with the Group's reduction in property, plant and equipment. This figure includes 44.8 million euro related to the amortisation of the increase assigned to various assets at the time of their inclusion in the Group.

2.1.4.3.4 Other operating results

Finally, the line item "other operating income" contributed 17.8 million euro, mainly from the sale of property, plant and equipment in the areas of Cement and Construction. The profit of 106.1 million euro in the same period of 2013 included 105 million euro in capital gains from the swap transaction and the sale of a terminal in the Cement area.

2.1.4.4. Earnings before taxes (EBT) from continuing activities

EBT reflected a negative balance of 818.8 million euro, after incorporating the following to EBIT:

2.1.4.4.1 Financial income

Net financial expense for the year amounted to 375.8 million euro, representing a decrease of 14.3% compared to 2013 thanks to the debt haircut in the amount of 135 million euro on the amortized amount (900 million euro) of Tranche B of the syndicated corporate loan. The aggregate finance costs at year-end included 40.5 million euro in capitalised interests corresponding to Tranche B.

The negative balance of 12.7 million euro in 2014 and 77.8 million euro in 2013 from "other financial results" are primarily due to the impairment of loans to affiliates in the area of Construction.

2.1.4.4.2 Equity-accounted affiliates

The equity-accounted affiliates had a negative impact in the amount of 84.8 million euro in 2014; of which 35.8 million euro correspond to Realia, while the rest mainly relate to losses and impairment of companies in the area of Construction.

The positive result of 34.3 million euro in 2013 included 52 million euro from the sale of 50% of Grupo Proactiva and 15 million euro from the sale of other assets, mainly investments in various concessions in the area of Construction, within the ongoing divestment programme. The stake in Realia contributed losses of 29.1 million euro.

2.1.4.5. Income attributable to equity holders of the parent company

Net attributable income in the year amounted to a negative balance of 724.3 million euro (compared to 1,506.3 million euro in 2013), after including the following items in EBT:

2.1.4.5. 1 Income tax

Corporate income tax included a tax credit of 64.2 million euro (135.4 million euro in the previous year).

2.1.4.5.2 Result of discontinued operations

Profit from discontinued operations is at 21.2 million euro. During the year the company concluded the sale of FCC Logística, FCC Environmental (US) and 51% of FCC Energía. At year-end 2014, the sale of Cemusa is still pending formalisation, which is expected to be completed during the second quarter of 2015.

The loss of 876 million euro in 2013 related mainly to the decline in value of the Alpine shareholding to zero, including the financial result of the company until the time of its liquidation, for a net amount of 423.9 million euro, together with the impairment of the remaining assets held for sale in the net amount of 371.1 million euro.

2.1.4.5.3 Minority interests

The minority shareholders, mainly concentrated in the Cement area, reflect losses of 9.1 million euro (24 million euro in 2013).

2.1.5. Balance Sheet

(million euro)	Dec. 14	Dec. 13 [1]	Chg. (Mn€)
Intangible fixed assets	2,967.5	2,864.4	103.1
Tangible assets	3,175.6	3,753.1	(577.5)
Investments accounted for under the equity method	239.8	371.8	(132.0)
Non-current financial assets	426.7	386.8	39.9
Deferred tax assets and other non-current assets	1,044.2	1,082.0	(37.8)
Non-current assets	**7,853.8**	**8,458.1**	**(604.3)**
Non-current assets held for sale	1,002.5	2,172.5	(1,170.0)
Inventories	760.6	798.3	(37.7)
Trade and other receivables	2,488.4	2,819.3	(330.9)
Other current financial assets	380.4	396.3	(15.9)
Cash and cash equivalents	1,537.1	987.6	549.5
Current assets	**6,169.1**	**7,174.0**	**(1,004.9)**
TOTAL ASSETS	14,022.9	15,632.1	(1,609.2)
Equity attributable to equity holders of parent company	271.7	3.2	268.5
Minority interests	223.7	240.0	(16.3)
Net equity	**495.4**	**243.2**	**252.2**
Grants	239.3	228.7	10.6
Non-current provisions	1,157.9	1,092.5	65.4
Long-term borrowings	5,615.7	1,070.7	4,545.0
Other non-current financial liabilities	66.5	66.3	0.2
Deferred tax liabilities and other non-current liabilities	754.6	1,017.2	(262.6)
Non-current liabilities	**7,834.0**	**3,475.3**	**4,358.7**
Liabilities linked to non-current assets available for sale	776.9	1,729.2	(952.3)
Current provisions	288.5	341.4	(52.9)
Short-term financial debt	1,317.9	6,277.7	(4,959.8)
Other current financial liabilities	63.2	116.9	(53.7)
Trade and other creditors	3,247.0	3,448.4	(201.4)
Current liabilities	**5,693.5**	**11,913.6**	**(6,220.1)**
TOTAL LIABILITIES	14,022.9	15,632.1	(1,609.2)

(1) Figures have been restated for the sole purpose of complying with IFRS 11 "Joint arrangements".

2.1.5.1. Tangible assets

The balance of fixed tangible assets at 31 December totalled 3,175.6 million euro; 577.5 million euro less than on 31 December 2013 mainly due to the impairment of the fixed assets of the FCC Environment subgroup (in the UK), linked to the landfills business, as referred to in section 4.3.2.

2.1.5.2. Investments accounted for under the equity method

The balance of 239.8 million euro in investments made in investees comprised the following at 31 December:

1) 88.7 million euro for shareholdings in Water concession companies.
2) 81.8 million euro for the shareholding in companies in the Environmental Services area.
3) 54.4 million euro corresponding to the 36.9% shareholding in Realia.
4) 14.9 million euro corresponding to the remaining shareholdings and loans to investees.

The reduction of 132 million euro compared to 31 December 2013 is mainly due to the impairment and losses of investees in the Construction area

2.1.5.3 Non-current assets and liabilities held for sale

The balance of 1,002.5 million euro in non-current assets held for sale at 31 December mainly includes the value of the assets linked to Cemusa, and to a lesser extent to the 50% shareholding in Globalvía. This line item has decreased by 1,170 million euro compared to the aggregate balance at 31 December 2013, due to the sale of FCC Logística, 51% of FCC Energía, FCC Environmental (US) and the reclassification of the Realia shareholding as an investment accounted for by the equity method.

These assets are in turn associated with liabilities in an aggregate amount of 776.9 million euro, which correspond entirely to Cemusa, mainly due to payment obligations related to the long-term exploitation rights of its street furniture advertising media.

2.1.5.4. Net equity

Net equity at 31 December amounted to 495.4 million euro, representing an increase of 252.2 million euro compared with the aggregate balance at year-end 2013, mainly due to the capital increase of 1,000 million euro undertaken last December which offsets the appropriation of attributable losses in the amount of 724.3 million euro. These losses correspond to non-recurring provisions, impairments totalling 748 million euro (pretax), as described in paragraphs 4.3.1 and 4.3.2.

2.1.5.5. Net interest-bearing debt

Net debt at 31 December 2014 stood at 5,016.0 million euro, representing a decrease of 948.5 million euro compared to year-end 2013, following the capital increase of 1,000 million euro completed last December.

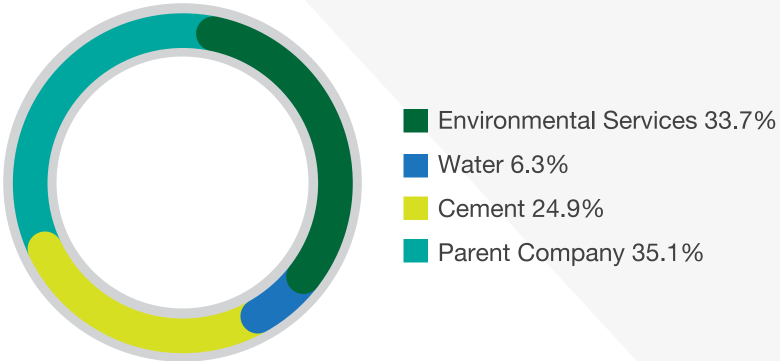
In the first half of fiscal year 2014, the FCC Group performed a refinancing transaction for its corporate bank debt worth 4,528 million euro, divided into a tranche A and a tranche B, for a period of four years (until June 2018), it extended by 6 years (until October 2020) the convertible bonds issued in October 2009, amounting to 450 million euro and it refinanced an additional 381 million pounds of bank debt corresponding to FCC Environment UK, without recourse to the parent company.

(million euro)	Dec. 14	Dec. 13	Chg. (Mn€)
Bank borrowings	5,756.4	6,228.4	(472.0)
Obligations (loans)	906.7	851.1	55.6
Finance leases	53.6	48.3	5.4
Derivatives and other financial liabilities	216.9	220.6	(3.7)
Gross interest-bearing debt	**6,933.6**	**7,348.4**	**(414.8)**
Cash and other financial assets	(1,917.6)	(1,383.9)	(533.7)
Net interest-bearing debt	**5,016.0**	**5,964.5**	**(948.5)**
With recourse	2,798.3	3,775.8	(977.5)
Without recourse	2,217.7	2,188.7	29.0

In addition, during the month of December, FCC performed a capital increase of 1,000 million euro against new cash contributions. Of this amount, 765 million euro were allocated to repay and amortise 900 million euro from tranche B of the corporate bank debt, with a debt haircut of 15%. A further 200 million euro have been used to reduce the indebtedness of the subsidiaries Cementos Portland Valderrivas and FCC Environment UK, and the remaining 35 million euro to cover the costs of the entire transaction.

Thus, the Group has managed to significantly reduce its debt level throughout the year, significantly increase their maturities and shore up its capital structure.

Net debt by business area*

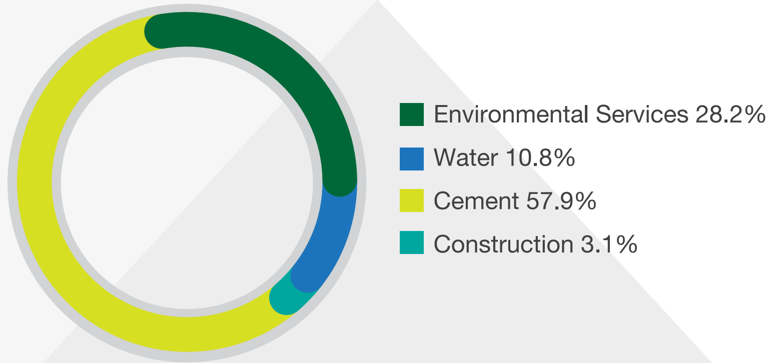


*Adjusted by net cash position in Construction

By business unit, Environmental Services and Water accounted for 40% of the net debt, related to public, regulated and long-term services; 24.9% corresponded to Cement, which accounts for a great part of fixed assets on the balance sheet; and 35.1% to the parent company, which includes among others, the aforementioned 450 million euro convertible bond issue and the acquisition debt linked to different companies in various business activities.

The Group's net non-recourse debt amounted to 2,217.7 million euro at year end; 44.2% of the total.

Net debt without recourse by area



It is worth noting that almost all of the debt linked to the Cement area (1,283.9 million euro) is non-recourse debt for the FCC Group. The remaining net non-recourse debt corresponds mainly to the Environment business, representing 625.5 million euro, of which 510 million euro correspond to the UK business, 80.6 million euro to the Central and Eastern Europe business and the remaining 34.9 million euro to other treatment and recycling plants in Spain and Portugal. Net non-recourse debt in the area of Water amounts to 240.2 million euro, of which 166.3 million euro correspond to business in the Czech Republic and the remaining 73.9 million euro to various end-to-end water management concessions in Spain. Lastly, non-recourse debt in the Construction area (68 million euro) is related to funding for two transport concessions.

2.1.5.6. Other current and non-current financial liabilities

The balance of other current and non-current financial liabilities amounted to 129.7 million euro and includes financial liabilities not classified as interest-bearing debt, such as those linked to suppliers of property, plant and equipment, and deposits and guarantees received.

2.1.6. Cash Flow

(million euro)	Dec. 14	Dec. 13 [1]	Chg. (%)
Funds from operations	**779.6**	**745.6**	**4.6%**
(Increase)/decrease in working capital	22.3	264.8	-91.6%
Income tax (paid)/received	(78.7)	(112.1)	-29.8%
Other operating cash flow	(114.3)	(123.5)	-7.4%
Operating cash flow	**608.9**	**774.8**	**-21.4%**
Investment payments	(485.5)	(479.6)	1.2%
Divestment receipts	227.6	310.7	-26.7%
Other investing cash flow	90.7	(242.6)	-137.4%
Investing cash flow	**(167.2)**	**(411.5)**	**-59.4%**
Interest paid	(358.5)	(402.3)	-10.9%
(Repayment)/issuance of financial liabilities	(554.4)	(211.1)	162.6%
Other financing cash flow	998.6	245.2	N/A
Financing cash flow	**85.7**	**(368.2)**	**-123.3%**
Exchange differences, change in consolidation scope, etc	22.2	(177.7)	-112.5%
Increase/(decrease) in cash and cash equivalents	**549.6**	**(182.6)**	**N/A**

(1) Figures have been restated for the sole purpose of complying with IFRS 11 "Joint arrangements".

2.1.6.1. Operating cash flow

The operating cash flow generated during the year amounted to 608.9 million euro, compared with 774.8 million euro in 2013, which included a non-recurring positive effect deriving from the implementation of the supplier payment funds which contributed to a reduction in working capital of 264.8 million euro.

As planned, working capital recorded a significant reduction in the fourth quarter and ended the year with an improvement of 22.3 million euro, despite the adverse effect of the lower volume of trade receivables assigned to financial institutions amounting to 130.6 million euro, reaching a balance of 159.9 million euro at 31 December 2014.

(million euro)	Dec. 14	Dec. 13	Chg. (Mn€)
Environmental Services	(8.2)	205.9	(214.1)
Water	21.6	7.2	14.4
Construction	67.5	8.4	59.1
Cement	(2.0)	15.7	(17.7)
Corporate services and adjustments	(56.6)	27.6	(84.2)
(Increase)/decrease in working capital	**22.3**	**264.8**	**(242.5)**

Following the substantial improvement of past-due accounts receivable from government clients in Spain, at year-end 2014 the latter was close to 300 million euro. In this regard, in early 2015 the electronic invoicing system for public clients has been launched, which aims to contribute to reducing the average payment period to suppliers to thirty days and end public arrears.

Other operating cash flow amounted to 114.3 million euro and it mainly includes the application in provisions for risks and expenses in Construction, related to the restructuring of the area.

2.1.6.2. Investing cash flow

The consolidated investing cash flow in the year was reduced by 59.4% compared to the same period in 2013, the difference coming from other investing cash flow. During this financial year, deposits and guarantees were recovered along with the collection of loans from investees and discontinued affiliates amounting to 90.7 million euro. In 2013, the opposite was true for a negative net amount of 242.6 million euro. Excluding this line item, the cash flow from investments totalled 257.9 million euro in the year, compared to 168.9 million euro in 2013.

In this period, a total of 485.8 million euro have been paid in asset investments related to the operating activity of the Group (compared to 479.6 million euro in 2013); representing a 1.2% increase.

On the other hand, the company has performed divestments totalling 227.6 million euro, mostly related to assets held for sale, including most notably the divestment of FCC Environmental (US) in the amount of 69 million euro. Throughout the whole of 2013, divestments were received totalling 310.7 million euro, notable among which was Proactiva, for an amount of 125 million euro.

The breakdown of net investments, according to payments and collections by activity, is as follows:

(million euro)	Dec. 14	Dec. 13	Chg. (Mn€)
Environmental Services	(168.7)	(59.9)	(108.8)
Water	(96.7)	(103.7)	7.0
Construction	(77.1)	(3.6)	(73.5)
Cement	8.2	7.7	0.5
Corporate services and adjustments	76.4	(9.4)	85.8
Net investments	**(257.9)**	**(168.9)**	**(89.0)**

Notable are the net investments totalling 168.7 million euro made in the area of Environmental Services, which includes investments in the construction and expansion of treatment and municipal waste reduction plants in the UK.

2.1.6.3. Financing cash flow

The consolidated cash flow from financing in the year reflects a net cash inflow of 85.7 million euro, which essentially relates to the capital increase in the amount of 1,000 million euro in December, in addition to interest payments in the amount of 358.5 million euro and amortizations of financial liabilities in the amount of 554.4 million euro. It should be noted that this amount does not match the reduction in gross financial debt of 414.8 million euro on the balance sheet during the year, mainly due to the effect of exchange differences on the debt.

In 2013, this item included 96.6 million euro from the sale of 49% of the Water business in the Czech Republic (Aqualia Czech) and 150.6 million euro from the sale of 9.6% of the share capital in treasury stock.

2.1.6.4. Exchange differences, change in consolidation scope, etcs

This heading, with a positive variation of 22.2 million euro in the period, includes the effect of exchange rate variations on the cash account. In 2013, this item also included a 177.7 million euro outflow in the Construction area due to the deconsolidation of the Alpine Group.

2.1.6.5. Variation in cash and cash equivalents

Combining all the previous cash flow movements, the Group's liquidity position increased by 549.6 million euro in the year, up to 1,537.1 million euro in cash and other equivalents at year end.

2.1.7. Business Performance

2.1.7.1. Environmental Services

Environmental Services contributed 52% of the FCC Group's total EBITDA. A total of 96% of its activities involve municipal solid waste collection, treatment and disposal, along with other municipal services such as street cleaning and green area upkeep. The other 4% 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 notably in municipal waste treatment and disposal; in Central and Eastern Europe, mainly Austria and the Czech Republic, it engages in end-to-end municipal waste management (collection, processing and disposal). FCC's Portuguese presence focuses on industrial waste management.

2.1.7.1.1. Results

(million euro)	Dec. 14	Dec. 13 [1]	Chg. (%)
Net Revenues	2,805.0	2,770.6	1.2%
Environmental	2,680.5	2,635.5	1.7%
Industrial Waste	124.5	135.1	-7.8%
EBITDA	418.3	424.6	-1.5%
EBITDA margin	14.9%	15.3%	-0.4 p.p
EBIT	(437.8)	(68.5)	N/A
EBIT margin	-15.6%	-2.5%	-13.1 p.p

Net revenues in the Environmental Services area totalled 2,805 million euro in the year, 1.2% more than in the same period last year. The positive performance of the Environmental activity offsets the 7.8% decline in revenues in the Industrial Waste business.

Revenue breakdown by region

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	1,576.9	1,571.5	0.3%
UK	846.0	809.2	4.5%
Central and Eastern Europe	347.3	349.6	-0.7%
Portugal and other	34.8	40.3	-13.6%
Total	**2,805.0**	**2,770.6**	**1.2%**

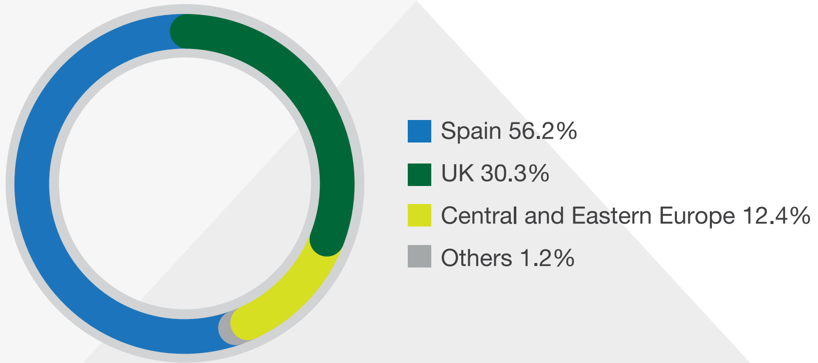
In Spain, revenues remained stable (0.3%) at 1,576.9 million euro, due to the positive evolution of urban waste management, which offsets the 3.6% reduction in the domestic Industrial Waste activity.

In the UK, revenues increased 4.5% due to the positive effect of the exchange rate, and to the notable increase in the urban waste treatment, recycling and incineration activity, which accounts for 50% of the total waste treatment managed. During 2014, a number of recycling and processing facilities have started to operate, as well as the Lincolnshire incineration plant. Yet under construction, two treatment and incineration plants in the counties of Wrexham (extension) and Buckinghamshire, whose operational start-up is expected for the end of 2015 and 2016, respectively.

In Central and Eastern Europe revenues fell slightly by 0.7% as a result of the negative effect of the exchange rate in the Czech Republic (-5.7%) and to the effect of a progressive application of a landfill tax in certain countries; which has been compensated by the significant increase in the urban waste collection activity in Poland.

The 13.6% decline in net revenues in other markets is due basically to the completion of a large sludge removal contract in Italy (-6.2 million euro) and to the slowdown in the industrial waste activity in Portugal.

Revenue breakdown by region



Gross operating income (EBITDA) decreased by 1.5% to 418.3 million euro; representing a 14.9% operating margin (15.3% in 2013). In Spain, the increase in social security contributions arising from recent regulatory changes in labour matters weighs strong; while in the UK the operating margin has been favoured by the entry into operation of the Lincolnshire incinerator and in Central and Eastern Europe has improved with the efficiency measures implemented throughout the year.

Net operating profit, however, reflects losses of 437.8 million euro after including in EBITDA a 649.7 million euro impairment, recorded in the tangible assets of the sub-group FCC Environment (Environmental Services in the UK) and linked to landfills. This impairment has no effect on cash flow and corresponds to the progressive closure forecast in some landfills which are no longer profitable due to lesser volumes than expected as a result of a continued increase in the landfill tax in the past few years. This decision accelerates the change of the urban waste management business in the UK, giving more weight to the recycling, recovery and treatment activity, so as to improve profitability in all the operations in the long-term.

In 2013, net operating income of -68.5 million euro included an impairment to goodwill for the FCC Environment subgroup amounting to 236.4 million euro, in addition to an impairment to goodwill for the companies engaged in Industrial Waste amounting to 24 million euro.

Backlog breakdown by region

(million euro)	Dec. 14	Dec. 13 [1]	Chg. (%)
Spain	7,070.9	7,437.4	-4.9%
International	4,598.8	4,447.4	3.4%
Total	**11,669.7**	**11,884.8**	**-1.8%**

Finally, backlog fell by 1.8% compared to the aggregate at year end 2013, reaching 11,669.7 million euro, which this year includes various extensions of contracts in Spain. This amount covers more than 4 times the 2014 revenues.

2.1.7.1.2. Cash Flow

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Funds from operations	**437.8**	**443.5**	**-1.3%**
(Increase)/decrease in working capital	(8.2)	205.9	-104.0%
Income tax (paid)/received	(38.5)	(53.2)	-27.6%
Other operating cash flow	(35.3)	(20.6)	71.4%
Operating cash flow	**355.8**	**575.6**	**-38.2%**
Investment payments	(254.9)	(197.1)	29.3%
Divestment receipts	86.2	137.2	-37.2%
Other investing cash flow	50.3	140.4	-64.2%
Investing cash flow	**(118.4)**	**80.5**	**N/A**
Interest paid	(160.7)	(130.6)	23.0%
Issuance/(repayment) of financial liabilities	(300.2)	(367.0)	-18.2%
Other financing cash flow	417.5	(137.1)	N/A
Financing cash flow	**(43.4)**	**(634.7)**	**-93.2%**
Exchange differences and others	12.1	(8.0)	N/A
Increase/(decrease) in cash and cash equivalents	**206.1**	**13.5**	**N/A**
(million euro)	Dec. 14	Dec. 13	Chg. (Mn€)
Net interest-bearing debt	**1,764.4**	**2,162.5**	**(398.1)**
With recourse	1,139.0	1,475.5	(336.5)
Without recourse	625.5	687.0	(61.6)

Operating cash flow generated by the Environmental Services area in 2014 totalled 355.8 million euro, down 38.2% compared to the same period of 2013. This was due both to the extraordinary cash-in of collection rights from customers in 2013 linked to the supplier payment plan, and to the lower sales volume of collection rights from clients. All in all, the average collection period in the domestic Environmental activity at year end was 4.5 months, compared to 5 months at the end of 2013.

Investment payments increased to 254.9 million euro, mainly due to the development of new treatment plants in the UK. Furthermore, the cash from divestments include the sale of FCC Environmental (US) in the amount of 69 million euro in the fourth quarter of 2014. The section includes deposits and guarantees recovered from the termination of a treatment plant in UK, within item "other investing cash flow".

The net interest-bearing debt of the area was reduced by 398.1 million euro in 2014, standing at 1,764.4 million euro at year-end, following the transfer of 480 million euro to the parent company, corresponding to the historic debt from the acquisition of subsidiaries overseas. The net non-recourse debt amounts to 625.5 million euro, of which 510 million euro correspond to the UK business, 80.6 million euro to the Central and Eastern Europe business and the remaining 34.9 million euro to other treatment and recycling plants in Spain and Portugal.

2.1.7.2. Water

The Water area accounts for 25.9% of FCC Group EBITDA. Public concessions and end-to-end water management operations (capture, distribution and treatment) account for 92% of total revenues, and water infrastructure design and construction for the other 8%.

FCC serves more than 13 million people in over 850 municipalities in Spain. In Eastern Europe, FCC serves 1.3 million users, mainly in the Czech Republic. It also has a strong presence in Italy and Portugal. In Latin America, the Middle East and North Africa, FCC is involved mainly in water infrastructure design, construction and management. FCC Aqualia provides water supply and/or sewage services to 23.5 million people worldwide.

2.1.7.2.1. Results

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Net Revenues	954.0	945.6	0.9%
Concessions	876.6	867.6	1.0%
Design and Construction	77.4	78.0	-0.8%
EBITDA	208.4	193.7	7.6%
EBITDA margin	21.8%	20.5%	1.4 p.p
EBIT	123.9	115.9	6.9%
EBIT margin	13.0%	12.3%	0.7 p.p

Net revenues for the area grew by 0.9% compared to 2013, reaching 954 million euro. The concessions business has seen a 1% increase in turnover, despite the negative effect of the exchange rate against the Czech koruna (-5.7%); while income from the water treatment design and construction remained virtually unchanged (-0.8%).

Revenue breakdown by region

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	772.0	749.8	3.0%
Eastern Europe	90.0	94.3	-4.6%
Rest of Europe	51.2	49.3	3.9%
Latin America	24.1	35.6	-32.3%
Middle East, North Africa and Others	16.7	16.6	0.6%
Total	**954.0**	**945.6**	**0.9%**

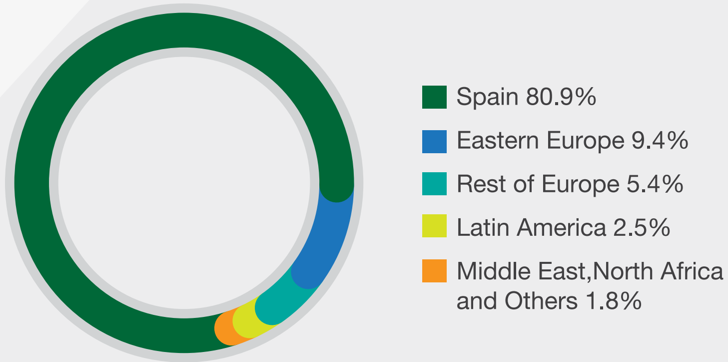
In Spain, revenues increased 3.0% with the addition of Jerez de la Frontera and Cartaya new end-to-end water management contracts, among others, and an increase in the Alcalá de Henares contract and the management of various installations in Madrid.

In Eastern Europe, revenues decreased 4.6% mainly due to the aforementioned negative exchange rate effect in the Czech Republic. In the rest of Europe, activity increased 3.9% after the effect of the adjustment of rates in Italy that took place in third quarter of 2013.

In Latin America, the fall in revenues (-32.3%) was due to the completion of a number of treatment plants in Mexico and a desalination plant in Chile. Looking to the year 2015, we expect an increase in turnover in the region for the execution of various projects such as the construction of a sewerage line in Mexico, an underwater outfall in Uruguay and a treatment plant in Chile.

Finally, income in other markets remains stable (+0.6%) following the initiation of the construction of a desalination plant in Tunisia in the fourth quarter of 2014, which has offset the adverse comparative effect of the adjustment of the operating rates of two desalination plants in Algeria that occurred in the third quarter of 2013.

Revenue breakdown by region



The gross operating income (EBITDA) increased 7.6% up to 208.4 million euro; representing a 21.8% operating margin (20.5% in 2013). This improvement has mainly arisen as a result of the improved operational efficiency of the concessions business, although it also includes a significant margin improvement in the business of designing and building water infrastructures due to the successful completion of several projects during the year.

Backlog breakdown by region

(million euro)	Dec. 14	Dec. 13 (1)	Chg. (%)
Spain	10,575.1	10,653.0	-0.7%
International	4,538.7	4,206.5	7.9%
Total	**15,113.8**	**14,859.5**	**1.7%**

Backlog increased by 1.7% compared to the aggregate at year-end 2013, reaching 15,113.8 million euro, driven by the addition of several international contracts for the design and construction of water infrastructures, along with the upgrade to the associated backlog with the end-to-end supply contract in the Czech Republic. This amount covered more than 15 times the 2014 revenues.

2.1.7.2.2. Cash Flow

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Funds from operations	**227.6**	**211.4**	**7.7%**
(Increase)/decrease in working capital	21.6	7.2	200.0%
Income tax (paid)/received	(30.6)	(18.1)	69.1%
Other operating cash flow	0.8	(1.7)	-147.1%
Operating cash flow	**219.4**	**198.8**	**10.4%**
Investment payments	(106.4)	(122.2)	-12.9%
Divestment receipts	9.7	18.5	-47.6%
Other investing cash flow	(123.7)	(11.1)	N/A
Investing cash flow	**(220.5)**	**(114.7)**	**92.2%**
Interest paid	(45.3)	(73.4)	-38.3%
Issuance/(repayment) of financial liabilities	82.7	(123.2)	-167.1%
Other financing cash flow	3.7	109.3	-96.6%
Financing cash flow	**41.1**	**(87.3)**	**-147.1%**
Exchange differences and others	(0.5)	0.6	-183.3%
Increase/(decrease) in cash and cash equivalents	**39.6**	**(2.6)**	**N/A**

(million euro)	Dec. 14	Dec. 13	Chg. (Mn€)
Net interest-bearing debt	**326.8**	**395.9**	**(69.1)**
With recourse	86.6	191.5	(104.9)
Without recourse	240.2	204.4	35.8

The operating cash flow generated by the Water area during the year increased by 10.4% compared to the same period in 2013, totalling 219.4 million euro, in line with the increase in funds from operations.

Investment payments decreased 12.9% to 106.4 million euro, due to the comparative effect with 2013, which included the payment of a fee in connection with the 25-year end-to-end water management concession in Jerez, Spain. Other investing cash flow includes mainly loans to Group companies, which are adjusted in the consolidated cash flow statement.

Net interestÐbearing debt is at 326.8 million euro, down 69.1 million euro. Net non-recourse debt of the parent company amounts to 240.2 million euro, of which 166.3 million euro correspond to business in the Czech Republic and the remaining 73.9 million euro to various end-to-end water management concessions in Spain.

2.1.7.3. Construction

The Construction area accounts for 12.2% of FCC Group EBITDA. It is mainly involved in the design and construction of large civil engineering and industrial works and building in certain geographies. It operates in highly complex public works such as railways, tunnels and bridges, which, with industrial installation and maintenance projects, account for a large part of its activity.

2.1.7.3.1. Results

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Net Revenues	2,076.1	2,597.1	-20.1%
EBITDA	98.2	94.3	4.1%
EBITDA margin	4.7%	3.6%	1.1 p.p
EBIT	27.8	(253.2)	-111.0%
EBIT margin	1.3%	-9.7%	11.1 p.p

Revenues from the area totalled 2,076.1 million euro during 2014; representing a 20.1% decline compared to the previous year, due to the sharp adjustment in public spending on infrastructure in Spain in the last few years, and to the still incipient phase of important international contracts that will start later than initially envisaged.

Revenue breakdown by region

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	1,037.9	1,447.2	-28.3%
Latin America	640.4	880.0	-27.2%
Europe	190.7	167.8	13.6%
Middle East and North Africa	184.5	40.8	352.2%
US, Canada and others	22.5	61.2	-63.2%
Total	**2,076.1**	**2,597.1**	**-20.1%**

Revenue breakdown by region

The strong increase in revenues in Middle East and North Africa is mainly due to the commencement of works in the Riyadh metro. The first conditioning phases for the works in the Doha metro began at the end of the third quarter.

Revenues in Latin America decreased 27.2% due to the completion of large projects such as the metro and road reorganisation in Panama City. The works for the Lima metro are expected to start in the second quarter of 2015. In Europe, the 13.6% rise in revenues is mainly due to the start of the Mersey Gateway project in the UK. The drop in revenues in the US and Canada is due to the completion of the Toronto metro project.

Looking to the year 2015, we expect that turnover in international markets will return to the path of growth once more, due to large-scale projects such as the metros in the cities of Riyadh, Lima and Doha. In any case, it should be noted that the area's growth targets are subject to operational and financial efficiency.

Despite the lower net revenues, the gross operating profit (EBITDA) improved by 4.1% year-on-year, reaching 98.2 million euro, which represents an operating margin of 4.7% compared to 3.6% in 2013. This improvement in profitability is due to the measures implemented to adapt the cost structure in Spain to current demand and to the improvement in the average profitability of international contracts.

EBIT fell to 27.8 million euro after incorporating into EBITDA 34 million euro of non-recurrent provisions to cover the risks of the real estate business, with no impact on cash flow during the period.

In 2013, net operating income of -253.2 million euro included impairments and provisions of assets, primarily real estate and concession assets, for an aggregate amount of 129.7 million euro, together with the recognition of a provision of 103.9 million euro for risks associated with certain international contracts and a provision of 75.6 million euro for workforce restructuring costs.

Backlog breakdown by region

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	2,019.7	2,520.6	-19.9%
International	4,193.3	4,087.5	2.6%
Total	6,213.0	6,608.1	-6.0%

The area's backlog fell 6% compared to the end of 2013, reaching 6,213 million euro, due to the continuous decrease in contracting in Spain. However, this balance allows for a guaranteed period of activity of almost three years and is aligned with the aims of giving precedence to future profitability over greater volumes of activity.

Backlog breakdown by business segment

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Civil engineering	5,002.2	5,095.3	-1.8%
Building	886.5	1,237.1	-28.3%
Industrial projects	324.3	275.7	17.6%
Total	6,213.0	6,608.1	-6.0%

By business segment, Civil engineering and Industrial projects are gaining weight in the backlog (85.7% of the total), the remaining 14.3% is for the building segment, mainly non-residential. In total, the backlog guaranteed over 35 months' work.

2.1.7.3.2. Cash flow

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Funds from operations	**50.2**	**120.1**	**-58.2%**
(Increase)/decrease in working capital	67.5	8.4	N/A
Income tax (paid)/received	50.6	(18.7)	N/A
Other operating cash flow	(71.2)	(73.5)	-3.1%
Operating cash flow	**97.1**	**36.3**	**167.5%**
Investment payments	(104.5)	(115.0)	-9.1%
Divestment receipts	27.4	111.4	-75.4%
Other investing cash flow	(137.6)	(146.0)	-5.8%
Investing cash flow	**(214.6)**	**(149.5)**	**43.5%**
Interest paid	(45.7)	(82.3)	-44.5%
Issuance/(repayment) of financial liabilities	208.8	162.2	28.7%
Other financing cash flow	0.9	(0.9)	-200.0%
Financing cash flow	**164.0**	**79.0**	**107.6%**
Exchange differences and others	7.7	(164.2)	-104.7%
Increase/(decrease) in cash and cash equivalents	**54.2**	**(198.3)**	**-127.3%**

(million euro)	Dec. 14	Dec. 13	Chg. (Mn€)
Net interest-bearing debt	**(212.3)**	**(164.1)**	**(48.2)**
With recourse	(280.3)	(205.9)	(74.4)
Without recourse	68.0	41.8	26.2

The area of Construction has recorded an operating cash flow of 97.1 million euro in the year, up from 36.3 million in 2013, due to the reduction in operating working capital of 67.5 million euro and to the 50.6 million euro from income tax to the parent company. Other operating cash flow includes, in both periods, provisions for structure adjustments that have already been provisioned, mainly in the area of domestic Construction, which continues to be a burden on the operating cash flow in this area.

Investment cash flow includes payments for investments —net of cash collections from disposals, in the amount of 77.1 million euro— including contributions to infrastructure concession management companies in the amount of 49.2 million euro. In 2013, investment cash flow included collections from disposals totalling 111.4 million euro, mainly related to the sale of minority stakes in various concessionaires and real estate companies. Other investing cash flow, amounting to 137.6 million euro mainly includes loan variations granted to Group companies and affiliates.

Overall, the area's net cash position increased by 48.2 million euro with respect to December 2013, resulting in 2014 in net cash flow position of 212.3 million euro. The 68 million euro in net interest-bearing debt without recourse to the parent company corresponds to the concession companies for the Coatzacoalcos Tunnel (Mexico) and Conquense Highway (Spain).

2.1.7.4. Cement

The Cement area accounts for 13% of the FCC Group EBITDA, through its 77.9% stake in Cementos Portland Valderrivas. It focuses mainly on cement production, and that company has seven cement factories in Spain, three in the US and one in Tunisia.

2.1.7.4.1. Results

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Net Revenues	542.9	540.9	0.4%
Cement	467.2	426.2	9.6%
Other	75.7	114.7	-34.0%
EBITDA	104.8	50.4	107.9%
EBITDA margin	19.3%	9.3%	10.0 p.p
EBIT	35.9	(24.2)	N/A
EBIT margin	6.6%	-4.5%	11.1 p.p

Income in this area reached 542.9 million euro in 2014 and grew slightly by 0.4%, although this represents the first increase for six consecutive years. By business activity, the 9.6% increase in the net revenues in Cement was offset by the divestment of the least profitable businesses of concrete, mortar and aggregates in Spain.

Revenue breakdown by region

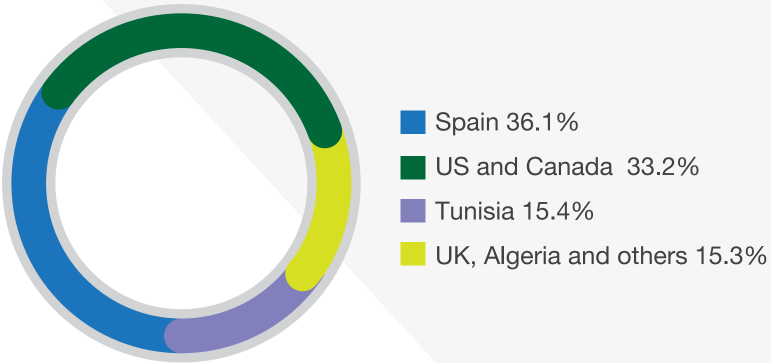
(million euro)	Dec. 14	Dec. 13	Chg. (%)
Spain	196.0	215.0	-8.8%
US and Canada	180.0	180.3	-0.2%
Tunisia	83.8	79.7	5.1%
UK, Algeria and others	83.1	65.9	26.1%
Total	**542.9**	**540.9**	**0.4%**

In Spain, revenues fell by 8.8% due to the aforementioned closure of less profitable plants in the concrete, mortar and aggregate business (whose revenues fell by 55.4%). On the other hand, cement revenues, which reflect the area's evolution on a homogeneous basis of productive assets, increased by 11.7% compared with an annual 0.4% increase in the Spanish cement consumption.

Revenues in the US and Canada were affected by especially adverse weather conditions in the first few months of the year and the period ended practically level compared to 2013 (-0.2%).

In Tunisia, revenues increased by 5.1% despite the negative exchange rate effect (-4.3%), due to improved prices in sales volumes in the local market. Revenues from exports to the UK, Algeria and other markets rose a notable 26.1%.

Revenue breakdown by region



The gross operating profit practically doubled (+107.9%) with respect to the previous year 2013 figures, totalling 104.8 million euro, mainly due to cost saving measures implemented in Spain in previous quarters. This EBITDA figure includes 20.8 million euro from the sale of emissions rights, compared to 2.6 million euro in 2013. Excluding the sale of emissions rights, the area's EBITDA grew by 75.7%. In international markets, the improvement in EBITDA in Tunisia more than offsets the effects of adverse weather in the US during the first few months of the year.

EBIT totalled 35.9 million euro compared to a negative balance of 24.2 million euro in 2013, which included capital gains on the asset sale and swap with CRH for 105 million euro, for the 46.3 million euro in writedowns of less profitable assets and a 58.6 million euro provision for non-recurrent restructuring costs.

2.1.7.4.2. Cash Flow

(million euro)	Dec. 14	Dec. 13	Chg. (%)
Funds from operations	**99.1**	**42.8**	**131.5%**
(Increase)/decrease in working capital	(2.0)	15.7	-112.7%
Income tax (paid)/received	(5.5)	(3.5)	57.1%
Other operating cash flow	(6.8)	(29.6)	-77.0%
Operating cash flow	**84.8**	**25.4**	**N/A**
Investment payments	(14.6)	(31.3)	-53.4%
Divestment receipts	22.8	39.0	-41.5%
Other investing cash flow	0.7	2.4	-70.8%
Investing cash flow	**8.9**	**10.1**	**-11.9%**
Interest paid	(71.4)	(71.2)	0.3%
Issuance/(repayment) of financial liabilities	(23.8)	(23.7)	0.4%
Other financing cash flow	(4.1)	13.0	-131.5%
Financing cash flow	**(99.3)**	**(81.9)**	**21.2%**
Exchange differences and others	2.9	0.3	N/A
Increase/(decrease) in cash and cash equivalents	(2.7)	(46.1)	**-94.1%**

(million euro)	Dec. 14	Dec. 13	Chg. (Mn€)
Net interest-bearing debt	**1,304.3**	**1,363.7**	**(59.4)**
With recourse	20.4	108.2	(87.8)
Without recourse	1,283.9	1,255.5	28.4

The area of Cement has generated an operating cash flow of 84.8 million euro in the year as a whole, compared to 25.4 million in 2013, thanks to the aforementioned increase in gross operating income, along with lower restructuring payments, conducted mainly in 2013.

Investing cash flow totalled 8.9 million euro due to the divestment of non-operational property, plant and equipment and to the restrictions on new investments. The figure in 2013 included the proceeds of 22.1 million euro from the sale of a terminal in the UK.

Net interest-bearing debt declined by 59.4 million euro with respect to December 2013, to 1,304.3 million euro, largely due to the capitalisation of a 110.8 million euro loan granted by the FCC Group's parent company.

2.2. Business performance. Environment

The information relating to the FCC Group's Environmental Policy is described in greater detail in note 30 to the consolidated financial statements. Information on the environment.

The FCC Group's strategy has a socially responsible commitment in relation to environmental services, complying with applicable legal requirements, respect for its relationship with interest groups and its desire to generate wealth and social wellbeing.

At the FCC Group, the following principles, which form the basis of its contribution to sustainable development, are encouraged and stimulated throughout the organisation:

- On-going improvement: To promote environmental excellence through the setting of targets to achieve on-going improvements 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 on 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 emissions 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 and by minimising the impact of the emissions, discharges and waste generated and managed as a result of the FCC Group's activities.

- Observation of the environment and innovation: To identify the risks and opportunities of the activities with respect to the changing natural environment in order to promote innovation and the use of new technologies, and to generate synergies between the FCC Group's various activities, inter alia.

- Life cycle of the products and services: To intensify environmental considerations in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.

- Everyone's participation is needed: To promote awareness and application of the environmental principles among employees and other interest groups.

2.3. Business performance. Employees

Following is a detail, by business area, of the FCC Group's headcount at 31 December 2014:

AREAS	SPAIN	ABROAD	TOTAL	%s/Total	%Chg. 2013
Construction	4,396	5,576	9,972	17%	-7%
Environmental Services	30,077	8,399	38,476	65%	-1%
Integral Water Management	6,061	1,451	7,512	12%	5%
Cement	811	937	1,748	3%	-5%
Central and Other Services *	636	296	932	2%	-80%
TOTAL	41,981	16,659	58,640	100%	-7%

* Includes 608 employees affected by operations classified as held for sale.

3. LIQUIDITY AND CAPITAL RESOURCES

Liquidity

To optimise its financial position, the FCC Group maintains a proactive liquidity risk management policy by comprehensively monitoring cash and its projections on a fortnightly basis.

The FCC Group meets its liquidity requirements through the cash flows generated by the businesses and through financial agreements reached.

With a view to improving its financial position, the Group actively manages collection from its customers to ensure they meet their payment obligations.
For the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, the Group has the cash disclosed in the consolidated balance sheet (see note 17 to the consolidated financial statements), and financing (detailed in note 21 to the consolidated financial statements).

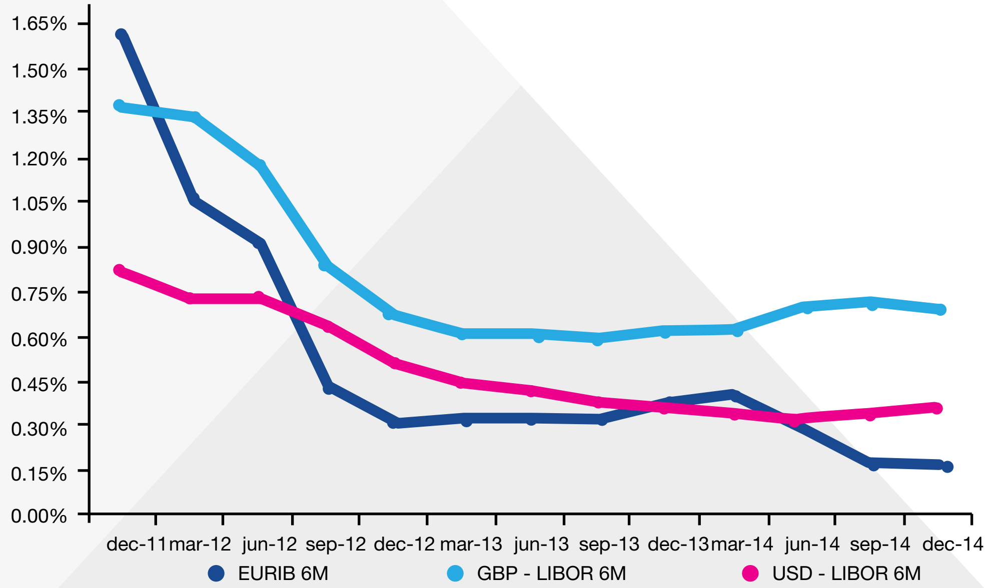
Capital resources

The Group manages its capital to ensure that the companies of which it is composed are capable of continuing as profitable and solvent businesses.

As part of capital management operations, the Group obtains financing through a wide variety of financial products from over 50 domestic and international financial institutions.

In 2014 the Group completed a 4,528 million euro global financing process and reached various limited recourse debt refinancing agreements (see note 21 to the consolidated financial statements). At the end of 2014, the capital increase of almost 1,000 million euro was also successfully completed.

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. As shown by the chart, interest-rate stability over the past year led to very stable interest rate risk in 2014 (see note 31 to the consolidated financial statements).



This section is discussed in further detail in note 31 to the consolidated financial statements.

4. MAIN RISKS AND UNCERTAINTIES

The FCC Group is currently implementing an Integrated Risk Management Model, which is being progressively deployed and which will lead to significant improvement in the near future when mitigating the impact of any variances and breaches of its financial and corporate strategy. This new model will enable the Group to anticipate the potential risks to which its activities are subject, since it operates in various geographical spheres, activities and legal environments, which, in turn, imply different risk levels inherent to the businesses in which it performs its operations. In 2015 the implementation of this model is expected to gather momentum.

To date and throughout 2014, the Model, -partially implemented so far- has allowed a high-level risk map to be developed, using Enterprise Risk Management (COSO II) methodology, which furnishes information to Senior Executives and which will contribute to defining the FCC Group's strategy once it has been fully implemented.

The FCC Group's risk management philosophy is being consistent with the business strategy, seeking maximum efficiency and solvency at all times, for which strict risk control and management criteria are being established. It consists of identifying, measuring, analysing and controlling the risks incurred by the Group's operations to ultimately ensure that the risk policy is correctly integrated in the organisation thereof.

In view of the unique nature of each FCC Group business area, risk is managed in each area by preparing a Risks Map in each one and subsequently, based on the reported information, a consolidated Risks Map of the FCC Group will be prepared.

Using this model, the risk in each business area was partially managed in 2014 through:

- The identification of the key risks for the FCC Group, based on their potential threat to the attainment of the organisation's objectives in each business area.
- Risk evaluation. The risk valuation scales are defined in accordance with their potential impact if they materialise and their likelihood of occurrence.
- The identification of the controls and procedures that mitigate both the economic impact and their likelihood of occurrence.
- The identification of an owner for each identified risk, as the person responsible for maintaining an adequate Internal Control level.

The results of Ongoing Risk Management are reported to the Audit and Control Committee, the body ultimately responsible for overseeing the Group's risk management, as included in the Group's Board Regulations.

In 2014, in order to ensure compliance with the best practices existing in this sphere (COSO II ERM), The FCC Group's General Internal Audit and Risk Management Division oversaw the work performed by the various business areas during the implementation stages of the model relating to risk identification and assessment, the appropriate identification of existing control activities and identification of the most effective risk materialisation indicators.

As implementation of the model gathers pace in 2015 for risks exceeding the Accepted Risk for each sector of activity, the necessary action plans will be put into place, including possible corrective measures enabling their critical nature to fall within the Accepted Risk area. These action plans will include the measures required to strengthen existing controls and could potentially include new controls.

Work will also be carried out on updating specific Risk Management procedures in each business area, to ensure compliance with the model and their active involvement in any decision-making process within the organisation.

Consequently, once implemented, the model will enable the FCC Group to:

- Adopt measures to prevent their materialisation (likelihood of occurrence) or minimise their economic impact, by identifying early the key risks, in the case of identifying an internal control area of improvement.
- Compare the objectives to be reached by the Group with the risks that could prevent them from being executed and with the control activities required so that the risk does not materialise, or minimise their economic impact if they do materialise.
- Ensure compliance with prevailing legislation and the Group's internal regulations and procedures.
- Check that the financial preparation processes are adequate to guarantee the reliability and integrity of such financial information.
- Safeguard assets.

By following the best corporate practices in this area and applying COSO II methodology, the various types of risks are categorised in the model into:

- Strategic risks. These are risks related to the Group's strategy and are given priority management. They include the risks relating to the markets /countries/ sectors in which the FCC Group operates. They also include reputational risks, innovation risks and economic planning.

- Operating risks. These are risks relating to the operational management and the value chain of each business where the FCC Group operates. They include the risks relating to tender and contracting processes, partner selection, subcontracting and suppliers, human resources management and ongoing employee training.

- Compliance risks. These affect internal or external regulatory compliance. They include those relating to compliance with the FCC Group's Code of Ethics, compliance with legislation applicable to: legal (which includes, since 2010, the criminal code from which criminal liability for legal entities derives), tax, ICFR matters, protection of data, quality, environment, information security and the prevention of occupational risks.
- Financial risks. Risks associated with financial markets, cash generation and management. They include the risks relating to liquidity, working capital management, access to financial markets, exchange rates and interest rates.

In 2014 the reporting risks are included in the operating and strategic risks category. However, in view of their unique nature and that it is essential for the FCC Group to appropriately control this type of risks, in 2015 they will be identified as a separate category in the Risk Maps, in terms of the risks associated with the reliability of the businesses' financial reporting, which is consolidated at the FCC Group's parent, including those relating to the generation of information and their management throughout the organisation.

4.1. Main risks and uncertainties. Operating risks

a) Public Authorities can unilaterally amend or terminate certain contracts before they are fully executed. In these cases, the compensation to be received by the FCC Group might not be sufficient to cover the losses incurred and, also, such compensation might be difficult to collect.

b) The economic crisis has led to a slump in the tax revenues of Public Authorities, causing a decline in investment in industries such as concessions or infrastructures.

c) Certain municipalities could decide to manage the services currently provided by the FCC Group.

d) The FCC Group's design and construction activities expose it to certain risks, including those relating to economic losses and third-party liability.

e) The FCC Group carries on its activities through long-term contracts that can adversely affect its ability to react swiftly and appropriately to new unfavourable financial situations.

f) The FCC Group's ability to make payments is linked to its customers' ability to make payments.

g) The decline in the acquisition of goods and services or project delays in both the public and private sectors can adversely affect the FCC Group's results.

h) The FCC Group relies on technology to develop its lines of business and maintain its competitiveness. If the FCC Group failed to keep up with technological developments or industry trends, its business could be adversely affected.

i) The companies in which the FCC Group has ownership interests together with third parties may expose it to risks.

j) Certain of the FCC Group's investees are controlled by third parties over which the FCC Group does not exercise control.

k) The FCC Group's backlog is subject to project adjustments and cancellations and, therefore, is not a sure indication of future revenue.

l) The FCC Group partakes in tender processes and authorisation regulatory procedures, in which significant expenses can be incurred, without any guarantee of success.

m) The FCC Group carries out its activity in competitive markets.

n) Public opinion may react negatively to certain FCC Group facilities.

o) The FCC Group uses large volumes of energy in its business, laying itself bare to the risk of fluctuations in energy prices.

p) The departure of key technical and management staff could hamper the success of business operations.

q) The FCC Group is increasingly dependent on IT systems.

r) The FCC Group is subject to litigation risk.

s) The industries in which the FCC Group operates are subject to intense scrutiny by competition authorities.

t) If the FCC Group fails to obtain Government approval for its projects or suffers delays in obtaining them, its financial position and results could be adversely affected.

u) The FCC Group's activities are subject to laws and regulations against bribery and corruption that affect where and how the FCC Group conducts its activities..

v) The FCC Group can be affected by accidents that take place at its construction projects.

w) Risks associated with the Environmental Services area.
- The landfill business in the UK has been and continues to be exposed to a very adverse market climate, which could continue to deteriorate in the future, thereby having a negative bearing on the FCC Group.
- The decline in waste collection would give rise to a fall in the rates received.

x) Risks associated with the Integral Water Management Area.
- The Water business activities are sensitive to changes in consumption models.
- The Water business is sensitive to climate conditions.
- In the supply of drinking water, the FCC Group must ensure that water is fit for human consumption.
- Polluted water discharge could adversely impact the FCC Group.

y) Risks relating to the Construction Area.
- The FCC Group is subject to construction-related risks.
- The construction industry is highly cyclical.
- The FCC Group's construction projects could be delayed or their budget might be exceeded, leading to lower profits than those expected or losses.
- The construction materials market is greatly affected by the cyclical nature of the construction industry.

z) Risks associated with the Cement Area.
- The cement business's operations are subject to emission control regulations.

4.2. Main risks and uncertainties. Financial risks

The concept of financial risk refers to the changes in the financial instruments arranged by the Group as a result of political, market and other factors and the repercussion thereof on the consolidated 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 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:

Capital risk

Capital risk is described in greater detail in note 3 to the Directors' Report.

Interest rate risk

In order to ensure a position that is in the FCC Group's best interest, an interest rate risk management policy is actively implemented, based on the ongoing monitoring of markets and the assumption of different positions based primarily on the asset financed.

Foreign currency risk

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 made in the same currency. The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

Solvency risk

The most representative ratio to measure solvency and debt repayment capacity is: Net Debt /EBITDA.

Liquidity risk

Liquidity risk is described in greater detail in note 3 to the Directors' Report.

Concentration risk

This is the risk deriving from the concentration of financing transactions based on common characteristics and is distributed as follows:

- Financing sources: In order to diversify this risk, the FCC Group works with a large number of domestic and international financial institutions in order to obtain financing.
- Markets/geographical area (Spanish, foreign): the FCC Group operates in a wide variety of Spanish and international markets, the Group's debt concentrated mainly in euros and in other various international markets, with different currencies.
- Products: The FCC Group uses various financial products: loans, credit facilities, debt instruments, syndicated transactions, assignments and discounts, etc.
- Currency: the FCC Group finances its operations in a wide variety of currencies, corresponding to the country of the investment.

Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Group, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position, can result in a collection risk with regard to the amounts owed.

The Group requests commercial reports and assesses the financial solvency of its customers before entering into agreements with them and also engages in on-going monitoring of customers, and has a procedure in place to be followed in the event of insolvency. In the case of public customers, the Group follows the policy of not accepting projects without an allocated budget and financial approval. The bids that exceed a certain collection period must be authorised by the Finance Department. Furthermore, late payment is monitored on an ongoing basis by specific bodies such as risk committees.

Financial derivatives designated as hedging 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 24 to the consolidated financial statements. The main financial risk being hedged by the FCC Group using derivative instruments is that relating to the change in floating interest rates to which the financing of the FCC Group companies is referenced. Financial derivatives are measured by experts on the subject that are independent from the Group and the entities financing it, using generally accepted methods and techniques.

The financial risks to which the Group is exposed are discussed in further detail in note 31 to the FCC Group's consolidated financial statements.

5. IMPORTANT CIRCUMSTANCES OCCURRING AFTER THE REPORTING PERIOD

In relation to the New Restructuring Framework Agreement (see note 21 to the consolidated financial statements), it should be noted that following approval by 86.5% of the lender banks, a court approval proceeding ("homologacion judicial") was implemented in order to apply the conditions to all lender banks. Once the Spanish scheme of arrangement has been approved in court, legal proceedings commence in order to file challenges, which, at the date of authorisation of issue of these consolidated financial statements, have not yet concluded.

6. COMPANY OUTLOOK

Set forth below are the prospects for 2015 for the main business areas composing the FCC Group. The construction and services backlog at 2014 year-end, which amounted to 32,996 million euro guarantees the continuation of a high level of activity over the coming years.

In 2015 the Environmental Services Area is expected to maintain the budgets in Spanish local corporations, which will help preserve the level of activity. Tender process are envisaged to increase and, therefore, growth is forecast in energy efficiency contracts.

At the end of 2014, the Environmental Services Area portfolio amounted to 11,670 million euro, which is equal to 4.16 years of production, thereby giving a clear perception of future revenues.

In relation to customer debt, the mandatory so-called electronic invoice was implemented vis à vis the Spanish Public Authorities, permitting tighter control over collection periods.

The promotion of new long-term Public Private Partnership-type contracts is forecast to continue throughout 2015, while the Edinburgh and Midlothian contracts are set to be signed, relating to the construction of an energy-from-waste incineration plant, in addition to the development of a third incineration facility at Eastcroft, with Nottingham city. Despite the progressive slump in landfill activity, these activities allow us to maintain revenues, which will continue focusing on recycling and landfill diversion objectives imposed by EU directives. An optimisation plan involving landfill activity will be foreseeably implemented, aimed at only keeping assets that meet market demand and profitability criteria. The treatment plant performance enhancement programme is expected to remain ongoing, while growth is forecast for activities relating to power generation and recyclable products.

With regard to Central and Eastern Europe, the business will foreseeably consolidate its position and achieve moderate growth, while overcoming the effects of the financial crisis.

It is envisaged that considerable endeavours will be made to lay the foundations for developing the concessions activity and traditional activities in new countries, within the scope of the strategic plan over the short term.

In 2014 the Industrial Waste sector came to a turning point, compared to preceding years, with regard to the volumes of treated waste and is estimated to slightly rise in 2015 due to an upturn in the economy, growth in private consumption and a moderate revival of industrial activity. Also, keeping up the adjustment measures carried out in 2014 will lead to substantial improvement in results in Spain. In Portugal, the panorama is envisaged to continue as a result of land management awards and mild growth in industrial activity, giving rise to a higher volumes of waste requiring treatment. In the US, following the sale of FCC Environmental, a new company was created called FCC Environmental Services, which is focused on oil field waste management and Public Authority waste management.

In the Integral Water Management Area, expansion in 2015 will be boosted mainly through projects in familiar markets, such as Spain, Portugal, Central and Eastern Europe, the Middle East (Egypt, Saudi Arabia and UAE) and Latin America. New markets are also set to open, such as North America, North Africa and India.

At 31 December 2014, the Integral Water Management Area portfolio amounted to 15,114 million euro, which is over 15 times the income for 2014.

The contribution by private companies to provide universal access to water, established as a Millennium Development Goal by the United Nations, will certainly be important, not only because of their technological and management ability but also their capacity to attract financing to develop new infrastructures and maintain those already in existence. According to the definition of the United Nations, this goal obliges governments to seek solutions to facilitate universal access to water, which must contribute to the economic maintenance of the service, in accordance with the conditions established by each country.

In recent years, the Public Authorities in charge of water management are moving away from water cycle integral management concession models towards public-private participation models under the Build Operate Transfer (BOT) regime for new infrastructure construction work. In countries with sufficient budgetary capacity, new infrastructure is still built under construction contracts and new types of maintenance and operation service contracts are being created in accordance with the specific characteristics of each Public Authority.

In Spain in particular, the Law on the de-indexation of the Spanish Economy is still going through Parliament, which is also processing the Bill amending the General Regulations of the Public Procurement Contracts Law. This will have an impact in the industry in terms of bidder solvency and on the lack of classification required for service agreements. These regulatory measures will foreseeably strengthen private water management in Spain.

In the Construction Area, although the Spanish market is showing green shoots, significant growth is not envisaged in the volume of public tenders over the short term. Conversely, the international infrastructure market stemming mainly from emerging countries with successful economies present an opportunity for the FCC Construcción Group.

Once phase one of the Strategic Plan has been completed, which consisted of a significant restructuring and adjustments process, the Construction Area will focus on better management, thus contributing positive results to the income statement and cash generation.

One objective in 2015 will be the search for growth, mainly through the international market, based on adequate risk management that will enable a selective project policy to be pursued, thus guaranteeing clear profitability perspectives.

Taking into account the foregoing, it is estimated that revenues in Spain in 2015 will be lower than in 2014, due mainly to budgetary restrictions in the public sector.

However, revenues from abroad in 2015 are estimated to exceed those earned in 2014, thanks to the development of large infrastructure construction projects commenced in 2014 and to the endeavours being made to open new markets enabling operations to take place in main areas such as the Americas (Central America, Chile, Peru, Brazil, Colombia, US, and Canada), the Middle East (Saudi Arabia) and Europe (UK, Romania, Portugal and Poland).

With respect to the Cement Area, it should be noted that the level of income is closely linked to the economic performance of the various countries in which the Company is established, which are mainly Spain, accounting for approximately 36% of total revenues, the US, with 33% and Tunisia, with 15%. CPV exports to other countries such as Canada, UK and North Africa from these three countries.

In Spain where most of the Cementos Portland Valderrivas Group's production facilities are located, the estimates for 2015 by Oficimen (the Cement Production Grouping in Spain) indicate an optimistic scenario of a 6.1%.increase in cement consumption. It is the first year since 2007 that growth forecasts have been positive. The industry's performance in recent years has been an ongoing decline in activity (2011, down 16.4%, 2012, down 34 %; 2013, down 21%; 2014, up 0.4%) up until 2014, in which activities have stabilised compared to the preceding year. Starting a growth trend is a very important factor for the entire industry and for Cementos Portland, the company with the largest market share.

CPV's projections concerning the downturn in the market are similar to those of Oficemen. Of the total number of tonnes produced by CPV in Spain, approximately 33% are earmarked mainly for exports. This proportion is expected to remain the same in 2015, although cement exports are expected to fall and clinker exports are set to rise. Also, prices are forecast to increase by 7% in the domestic market.

In the US, the estimates from PCA (Portland Cement Association) indicate annual market growth of approximately 8.4% / 10.7% for the 2015-2016 period, which will be headed by the residential sector, while civil works will see more moderate increases due to the budgetary restrictions of the union's government and states. In view of this market performance, as well as the various improvements in management undertaken by the Group, the outlook is bright for the inflows of funds over the coming years in this market. Conversely, although the weight of the sales in tonnes for export to the US stood at approximately 6% in 2014, they will foreseeably increase in coming years, leading to growth in revenues from the US.

The Tunisian market is expected to increase slightly by an estimated 4% in 2015. This market growth will be affected by the presence of new installed production capacity in the market in 2014. However, exports to other countries in North Africa are set to increase, thus leading to a rise in CPV's income in this country compared to 2014.

In this context, the Cementos Portland Valderrivas Group will continue developing its policies to contain costs and restrict investments and adapt all organisational structures to the reality of the various markets in which it operates, in order to obtain a better inflow of funds.

7. R&D+I ACTIVITIES

In 2014 the FCC Group's R&D+i activities materialised into more than 70 projects.

Among the Corporate R&D+i projects, the following must be highlighted in 2014:

IISIS- Integrated Research on Sustainable Islands. It is led by FCC, S.A. through the Environmental Services and Energy Areas, with the participation of other Group areas such as Aqualia, FCC Construcción and the Cementos Portland Valderrivas Group, together with various outside companies. Its objective is to achieve sustainability and self-sufficiency with regard to urban developments for the future, including:

- Elements, materials, technologies and systems required to develop the building in a marine environment, without constituting a threat to the environment.
- Self-sufficiency in all respects (energy, water, basic food, waste treatment and recycling).
- A smart management and control system. All the processes and sub-processes involved in all stages of the lifecycle of the island have been identified, which will be used to create the smart control and management orders, based on achieving maximum efficiency and sustainability.

In 2014 the business areas performed the following R&D+i activities.

SERVICES

In environmental services activities, aside from continuing with the research work in various projects that commenced in previous years, other new projects have been developed, the main ones being as follows:

- ULTRACAPS TRUCK: New technology in hybrid electric motorisation for waste collection trucks. Transformation of a collector-compactor side loader unit based on CNG into another truck using an electrical traction system and basic energy storage using ultra capacitor technology.

- ECOEFFICIENT MANAGEMENT INDICATORS: In-house development of a method and functional pilot to calculate the significant indicators of the ecoefficient management of the services rendered. It consists of establishing and implementing a system of benchmark indicators that enable the environmental efficiency of the FCC Group's environmental division's production processes to be assessed, in terms of optimisation of resources, reduction in GHGs and adaptation to climate change.

- ADVANCED SOLUTION FOR THE GLOBAL MANAGEMENT OF ALL THE PROCESSES AND PLAYERS IN ENVIRONMENTAL CONTRACTS: project that includes various objectives such as process improvement, swiftness of response vis à vis new business requirements, global access to more favourable functionalities, and management of geo-referenced information inter alia.

- PLUG-IN ELECTRIC COLLECTION VEHICLE: The results of the tests carried out during actual service were analysed and validated.

- ENERCITY: With the purpose of developing a printed PV panel using organic material in urban street furniture, to provide energy to its power system.

- ECOE: Development and pilot test of a system and new management technology for building installation systems, capable of functioning using the surplus energy in the environment.

- CEMESMER. To meet the demand for the management of mercury-related waste in the face of the upcoming obsolescence of certain industrial processes. In 2014 tasks were focused on developing a new range of high-performance cement products for the immobilisation of mercury, thus achieving a technological breakthrough in treatment processes for mercury-contaminated waste. The possibility of its reuse as a construction material will also be studied.

- LEACHATES. Modelling of the hydraulic performance of a landfill to study the production of leachates and the implementation of control and mitigation measures.

- DECONTAMINATION OF AQUIFERS: Development of a new work method to diagnose the status of a contaminated aquifer and its application to design corrective actions.

- **SOIL DECONTAMINATION:** Inclusion of new sampling techniques, preparation and modelling in the decontamination of environmental liabilities.

- **RECO2VAL:** Integrated demonstration of CO_2 reduction processes through the carbonatation of waste and mineral raw materials and recovery of carbonation products.

INTEGRAL WATER MANAGEMENT

In 2014 FCC Aqualia's innovation activity was carried on in the areas of Sustainability, Quality and Intelligent Management, including strategic planning. The main projects are as follows:

- **CENIT VIDA.** The project's work led to a change in the treatment model and facilitated the development of five other bioenergy projects relating to the All-gas project.

- **ITACA**. Included in the Sustainability Area, it has extensively sought novel approaches for the use of wastewater as a resource, to lower energy consumption and emissions or in the search for alternative technologies.

- **IISIS.** One of the major initiatives in the Company's Intelligent Management area. The project, led by FCC S.A. enjoyed the significant involvement of FCC Aqualia, which headed the "Water and Environment" and "Integration" tasks. The project's main results led to energy savings, savings in sludge production, enhanced operations, detection of leakages and various software developments.

- **SMARTIC.** Work was performed on water quality control from its collection until its exit from the drinking water plant, with the design and construction of various automation systems capable of performing tests that must currently be conducted at laboratories. Savings have been observed in the drinking water plant's operating costs, as well as an increase in quality, since the operation can be adjusted to the gross water's characteristics.

- **ALEGRIA.** The recovery of industrial effluent, the process of anaerobic digestion with membrane bioreactors and the cultivation of microalgae for its recovery were studied. The project sought to obtain bioenergy and value products.

- **RENOVAGAS.** Its aim is to develop a Synthetic Natural Gas production plant based on biogas, through the methanisation of hydrogen obtained from renewable sources.

- **REGENERA.** In order to develop a wastewater treatment system through the cultivation of microalgae and using the biomass generated as a raw material for biofertilizer production. The research team is composed of Aqualia Infraestructuras, Biorizon, Universidad de Almería and Fundación Cajamar.

- **LIFE MEMORY.** This proposes to demonstrate, on an industrial prototype scale, the technical and economic feasibility of innovative technology, a submerged anaerobic membrane bioreactor (SAnMBR), as an alternative to traditional treatment processes. This technology allows the organic matter in wastewater to be converted into biogas, which can be used at the treatment plant to produce energy in the form of heat and electricity. The benefits to be obtained from the project are: a decrease of up to 70% in energy consumption and 80% in CO_2 emissions, a 25% decrease in space requirement compared to conventional aerobic treatment plants, a decrease of approximately 50% in sludge production and the implementation of a protocol to design and operate treatment plants based on this technology.

- **LIFE BIOSOLWARE.** The study proposes to demonstrate a new treatment for wastewater based on biological technology and a purification site. The process allowed 80% of the water to be reused and organic waste and gas to be recovered.

- **CIP CLEANWATER.** To demonstrate new technology for disinfecting water in three applications: drinking water, desalination and reuse.

- **FP7 URBAN WATER.** An innovative platform will be developed and innovated based on IT and communication technologies, which will improve integral water management in urban areas, representing 17% of water consumption in Europe. The project is focused on developing new solutions to predict water demand and interpreting consumption in order to manage water more efficiently, with innovative modules to estimate water availability and supply, improvement of billing systems and data management in real time, leakage detection and decision making, inter alia.

- **WATER JPI MOTREM.** The Motrem project aims to contribute new technologies for water treatment and/or enhance those already in existence, by developing integrated processes for the control and treatment of pollutants emerging in the current line of the municipal wastewater treatment plants, placing particular importance on water reuse. For this purpose, the project combines transverse and multidisciplinary experience in the design of water treatment processes, and in engineering, analytical chemistry and ecotoxology applied to the emerging pollutants, which guarantees the generation, not only of new scientific knowledge, but also of innovative commercial solutions for the market.

CONSTRUCTION

FCC Construcción fosters an active policy for technological development, while permanently applying innovation to its construction projects, with a firm commitment to research and development, sustainability and the contribution to the Company's quality of life, as competitiveness factors. This innovation policy is coordinated with the other business areas of the FCC Group.

The development and use of innovative technologies to carry out construction projects significantly contribute value added and is a differentiating factor in the current market, which is highly competitive and internationalised.

The main projects developed were as follows:

- **SMARTBLIND.** The objective of this project is to develop an energy-efficient smart window that includes a hybrid film made up of an electrochromic LC film and a PV film both printed on the same long-lasting flexible substrate.
- **IMPACTO CERO.** Project from the European LIFE programme to develop and demonstrate anti-bird strike tubular screens for high-speed rail lines.
- **DOVICAIM.** Aimed at developing an integrated method and the tools required to support the complete life cycle of the construction of vertical docks using prefabricated blocks in a floating dock, including the design, optimisation, construction, installation and operation. The project is focused directly on a clear strategic priority that is the international development of FCC Construcción.
- **SORT-i.** Development of tools based on optical systems and new technologies for the identification, monitoring and management of structural risks of buildings and infrastructure in an intelligent, automatic and telemetric manner, as a means to maximise safety and minimise the risks of physical damage in high potential situations of structural collapse.
- **REWASTEE.** Aimed at the industrial validation, market deployment and replication of a developed technology for recycling steelmaking wastes to be used for manufacturing multifunctional building products.
- **RS.** Rehabilitación Sostenible de Edificios. Performed in cooperation with Córdoba municipal council through Vimcorsa (Viviendas Municipales de Córdoba S.A.) and the Municipal Housing Institute of Málaga municipal council.
- **SEIRCO.** Smart expert system to assess risks in various construction sector environments.
- **SPIA.** New high-visibility sign systems. Self-contained luminous system for individual use.
- **PRECOIL.** New smart collective prevention systems in dynamic linear infrastructure environments.
- **SETH.** Comprehensive structural monitoring system for buildings based on holistic technologies.
- **BOVETRANS.** Development of a system of light transition vaults in road tunnels that will take advantage of sunlight, a project in cooperation with the Murcia Demarcation of State Roads, monitored in particular by the Directorate General of Roads.
- **APANTALLA.** New nanostructured materials with improved electromagnetic radiation shielding properties.
- **CEMESMER.** New range of cements for stabilising mercury and to achieve a technological breakthrough in treatment processes for mercury-contaminated waste, for its potential recovery for reuse as a construction material.

- **NANOMICRO.** Based on nanomicrocements and their application in concrete towers for wind farms.

- **MERLIN.** Based on the development of better local refurbishment of infrastructure. The three latter projects are carried out in cooperation with the Cementos Portland Valderrivas Group.

- **NEWCRETE.** Concrete for structural use containing a high percentage of recycled aggregates.

- **SEA MIRENP.** Based on marketable ecoefficient by-products yielded by integrating recycled materials at harbours and ports, the objective of which is to conduct research on the application of construction and demolition waste at port and harbour construction projects.

- **AUSCULTACIÓN CONTINUA.** Based on the design, development and validation of a distributed continuous auscultation system for building structures in urban environments.

- **CETIEB.** The project's main objective is the development of innovative solutions for better environmental quality monitoring indoors.

- **BUILD SMART.** It aims to change buildings to achieve increased energy efficiency, based on the new legislation for 2020.

CEMENTOS PORTLAND VALDERRIVAS

Noteworthy is the successful completion of four projects: CEMESFERAS, HORMIGONES POROSOS, ESCOMBRERAS AND MICROCEMENTOS. As a result of this research, following is a summary of the main results obtained from them:

- New cement materials were designed leaving a lower carbon footprint, promoting sustainable production through natural resources savings and lower greenhouse gas emissions in processes.
- New high-performance porous concrete has been developed to service new applications under the framework of energy efficiency and future road drainage for heavy traffic.
- Research was carried out on ecoefficient cements through fly ash recovery from fossil fuel waste tips.
- A new range of microcements was developed, placing us in the international sphere with regard to this type of special products, earmarked for the restoration of microfissures in dams and soil stabilisation.

The promotion and development of the five other remaining projects also continued; NANOMICRO, CEMESMER, BALLAST, MERLIN and MAVIT, in compliance with the planning of the research work included in the milestones for 2014. Mention should be made of the design and construction of a pilot plant in the MAVIT project, carried out at year-end, which will provide us with a test bench for trials on a range of high value-added projects.

Throughout this process, intellectual property remains a key component in safeguarding the developed technologies. Noteworthy is the approval by the Spanish Patents and Trademarks Office (OEPM) of two new patents this year, thereby increasing Cementos Portland Valderrivas's portfolio.

8. ACQUISITION AND DISPOSAL OF TREASURY SHARES

The FCC Group does not perform any transactions involving treasury shares other than those included in the framework agreement of the Spanish National Securities Market Commission (CNMV) on Liquidity Contracts, which aims to provide the share price with liquidity and depth, in accordance with prevailing legislation.

In December 2014 a 1,000 million euro capital increase was carried out, which entailed the issuance of 133,269,083 new shares, thus increasing the Company's share capital to 260,572,379 shares of one euro par value each. For legal reasons, when the aforementioned transaction was performed, the liquidity contract was suspended on 18 November 2014 and resumed on 22 January 2015.

It is estimated that there will be no impact on the return obtained by shareholders from the Liquidity Contract of the treasury shares, given that their nature and objective contravene the existence thereof, or on the earnings per share of the FCC Group.

9. OTHER RELEVANT INFORMATION, STOCK MARKET PERFORMANCE AND OTHER INFORMATION

9.1 Stock Market Performance

Following is a detail of FCC's share performance in 2014 compared to 2013.

	Jan. – Dec. 2014	Jan. – Dec. 2013
Closing price (€)[1]	11.75	11.84
Revaluation	(0.8%)	64.06%
Maximum (€)[1]	15.49	12.50
Minimum (€)[1]	9.54	4.90
Average daily trading volume (no. of shares)	1,331,501	798,280
Average effective volume per day (millions of €)	20.4	9.3
Closing capitalisation (millions of €)	3,062	2,059
Nº of shares outstanding at close	260,572,379	127,303,296

The figures relating to FCC's shares in 2013 and 2014 are figures adjusted by the capital increase performed in 2014, amounting to 133.26 million shares.

9.2. Dividends

In accordance with the principle of prudent management and in the best interest of all the Company's shareholders, since December 2012, FCC's Board of Directors has decided not to pay any dividends. This agreement remained unchanged in 2014.

This decision, included in the restructuring in progress over the past two years, the purpose of which is to enhance operating efficiency and strengthen the balance sheet, must be ratified by the shareholders at the General Meeting, which will be held in the first half of 2015.

Deloitte.

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INFORME DE AUDITORÍA INDEPENDIENTE DE CUENTAS ANUALES

A los Accionistas de Fomento de Construcciones y Contratas, S.A.,

Informe sobre las cuentas anuales

Hemos auditado las cuentas anuales adjuntas de la sociedad Fomento de Construcciones y Contratas, S.A., que comprenden el balance al 31 de diciembre de 2014, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio anual terminado en dicha fecha.

Responsabilidad de los administradores en relación con las cuentas anuales

Los administradores son responsables de formular las cuentas anuales adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados de Fomento de Construcciones y Contratas, S.A., de conformidad con el marco normativo de información financiera aplicable a la entidad en España, que se identifica en la Nota 2 de la memoria adjunta, y del control interno que consideren necesario para permitir la preparación de cuentas anuales libres de incorrección material, debida a fraude o error.

Responsabilidad del auditor

Nuestra responsabilidad es expresar una opinión sobre las cuentas anuales adjuntas basada en nuestra auditoría. Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la auditoría de cuentas vigente en España. Dicha normativa exige que cumplamos los requerimientos de ética, así como que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable de que las cuentas anuales están libres de incorrecciones materiales.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales, debida a fraude o error. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de la entidad de las cuentas anuales, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y de la razonabilidad de las estimaciones contables realizadas por la dirección, así como la evaluación de la presentación de las cuentas anuales tomadas en su conjunto.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión de auditoría.

Opinión

En nuestra opinión, las cuentas anuales adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de la sociedad Fomento de Construcciones y Contratas, S.A. a 31 de diciembre de 2014, así como de sus resultados y flujos de efectivo correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación y, en particular, con los principios y criterios contables contenidos en el mismo.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Informe sobre otros requerimientos legales y reglamentarios

El informe de gestión adjunto del ejercicio 2014 contiene las explicaciones que los administradores consideran oportunas sobre la situación de la sociedad, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales del ejercicio 2014. Nuestro trabajo como auditores se limita a la verificación del informe de gestión con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de la sociedad.

DELOITTE, S.L.
Inscrita en el R.O.A.C nº S0692

Javier Parada Pardo
27 de febrero de 2015

12

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

Alcollarín Dam, Cáceres (Spain)

End of relevant fiscal year: 31/12/2014

TAX ID NO. (CIF): A-28037224

Company name:
Fomento de Construcciones y Contratas, S.A.

Registered Office:
c/Balmes, 36. 08007 Barcelona

ANNUAL CORPORATE GOVERNANCE REPORT LISTED COMPANIES

A. OWNERSHIP STRUCTURE

A.1. Complete the table below on the Company's share structure:

Date of last change	Share capital (€)	Number of shares	Number of voting right
19-12-2014	260,572,379	260,572,379	260,572,379

Indicate whether there are different classes of shares with different associated rights:

Yes **No [X]**

Class	Number of shares	Unit nominal value	Number of voting rights	Different rights
-	-	-	-	-

A.2. Indicate direct and indirect owners of significant stakes in the entity at year-end, excluding Directors:

Name of shareholder	Number of direct voting rights	Indirect voting rights		Pct. of total voting rights
		Direct holder of staken	Number of voting rights	
Gates III, William H.	-	Cascade Investment, Llc.	10,422,895	4.00%
Gates III, William H.	-	Bill & Melinda Gates Foundation Trust	4,429,730	1.70%
Inmobiliaria Carso, S.A. de C.V.	-	Control Empresarial de Capitales, S.A. de C.V.	66,798,648	25.635%

Indicate significant changes in the ownership structure in the year:

Name of shareholder	Transaction date	Description of the transaction
Inmobiliaria Carso, S.A. de C.V.	19-12-2014	Exceeds 25%
Esther Koplowitz Romero de Juseu	19-12-2014	Drops below 25%

A.3. Complete the tables below regarding the members of the Company's Board of Directors who have voting rights from shares in the Company:

Name or company name of Director	Number of direct voting rights	Indirect voting rights		Pct. of total voting rights
		Direct owner of stake	Number of voting rights	
B-1998, S.A.	55,334,260	AZATE, S.A.	8,353,815	24.442%
Juan Béjar Ochoa	35,688	-	-	0.014%
Dominum Desga, S.A.	4,132	-	-	0.002%
Dominum Dirección y Gestión, S.A.	10	-	-	0.000%
E.A.C. Inversiones Corporativas, S.L.	32	-	-	0.000%
E.A.C. Medio Ambiente, S.L.	122	-		0.000%
Fernando Falcó Fernández de Córdova	39,977		-	0.015%
Felipe Bernabé García Pérez	7,098	-	-	0.003%
Larranza XXI, S.L.	10	-	-	0.000%
Rafael Montes Sánchez	98,903	Josefa Fernández Mayo	20,697	0.046%
Marcelino Oreja Aguirre	28,629	-	-	0.011%
Olivier Orsini	100	-	-	0.000%
Gonzalo Rodríguez Mourullo	100	-	-	0.000%
Gustavo Villapalos Salas	100	-	-	0.000%
Total pct. of voting rights held by the Board of Directors:				24.534%

Note:
As of 13 January 2015 the following directors left the Board: Rafael Montes, Marcelino Oreja, Fernando Falcó y Fernández de Córdoba, Felipe B. García Pérez and E.A.C. Medio Ambiente, S.L. On the other hand, the following directors took office on the Board: Inmobiliaria AEG, S.A. de C.V., Inmuebles Inseo, S.A. de C.V., Alejandro Aboumrad González, and Gerardo Kuri Kaufmann.

On 27 November 2014 the company B-1998, S.L. became a public Limited company (S.A.), by means of a deed authorised by the Notary Public of Madrid, Jaime Recarte Casanova, under number 3244 of the records.

Complete the tables below regarding the members of the Company's Board of Directors who own shares with voting rights in the Company:

Name or company name of Director	Number of direct voting rights	Indirect voting rights		Number of equivalent shares	Pct. of total voting rights
		Direct owner of stake	Number of voting rights		
-	-	-	-	-	-

A.4. **Indicate, where appropriate, any family, commercial, contractual or business relationships among owners of significant stakes, insofar as they are known to the Company, unless they are insignificant or are derived from ordinary commercial transactions:**

Related names or company names	Type of relationship	Brief description
-	-	-

A.5. **Indicate, where appropriate, any commercial, contractual or corporate relationships between owners of significant stakes and the Company and/or its group, unless they are insignificant or are derived from ordinary commercial transactions:**

Related names or company names	Type of relationship	Brief description
-	-	-

A.6. **Indicate whether the Company has been notified of any shareholders' agreements which affect the Company as set out in Articles 530 and 531 of the Spanish Capital Companies Act. If so, list the shareholders involved and briefly describe the agreements:**

Yes [X] No

Participants in the shareholders' agreement	Pct. of share capital affected	Brief description of the agreement
Esther Koplowitz Romero de Juseu and Financing Entities (Financing Agreement)	50.156	Relevant events of 8-7-2014 www.cnmv.es (See note)
Esther Koplowitz Romero de Juseu and Control Empresarial de Capitales S.A. de C.V.	50.156	Relevant event of 27-11-2014 www.cnmv.es (See note)

Note:
Relevant event of 08/07/2014: By virtue of the provisions in the long-term syndicated financing agreement that was undersigned between 24 and 31 March 2014 and entered into full force on 26 June 2014, the financing entities assumed a number of restrictions on the transfer of shares ("Pact of Non-transfer of Shares") and a commitment to the orderly sale of the new shares of Fomento de Construcciones y Contratas, S.A. (hereinafter, FCC) they might receive should they exercise the Warrants after the conversion of Tranche B ("Pact of Orderly Sale"). Since the Pact of Non-transfer and the Pact of Orderly Sale represent a restriction of the free transferability of FCC shares, as the case may be, of the financing entities, both these pacts are shareholders' agreements pursuant to Article 530 of the Capital Companies Act (hereinafter, LSC), therefore hereby such pacts are disclosed and the corresponding clauses are published, in conformity with Articles 531.1 and 531.3 of LSC.

Relevant event of 27/11/2014: the controlling shareholder of FCC informed that the negotiations with Control Empresarial de Capitales S.A. de C.V., a company fully owned by Inmobiliaria Carso S.A. de C.V., were successfully completed. A copy of the agreement was enclosed.

Indicate whether the Company is aware of any concerted actions among its shareholders. If so, give a brief description:

Yes No [X]

Participants in the concerted action	Pct. of share capital affected	Brief description of the action
-	-	-

B-1998, S.A. communicated to the CNMV, by means of a relevant event of 2/12/2014, the agreement whereby the minority shareholders Larranza XXI, S.L. and CaixaBank, S.A. exited the capital, which was executed on 15 January 2015. This divestment was carried out by means of the acquisition of its own shares by B-1998, S.A., and in exchange it delivered 2,700,000 and 2,533,146 shares of FCC respectively to Larranza XXI, S.L. and CaixaBank, S.A. Thus B-1998, S.A. is now the direct holder of 50,101,114 shares of FCC, which added to the 8,353,815 shares indirectly held by B-1998, S.A. though Azate, S.A.U., and represent 22.433% of FCC's capital.

As a consequence, the shareholders' agreements regulating the corporate relations between Larranza XXI, S.L. and CaixaBank, S.A., individually, on the one hand, and Dominum Dirección y Gestión, S.L., on the other hand, in relation to B-1998, S.A., were no longer in force as of 15 January 2015. (Relevant event of 19/01/2015).

A.7. Indicate if there is an individual or legal entity that exercises or can exercise control over the Company in accordance with Article 4 of the Securities Market Law: If so, name the person.

Yes No [X]

Name or company name
-

Comments
-

A.8. Complete the tables below about the Company's treasury shares:

At year end:

Number of direct shares	Number of indirect shares (*)	Pct. of share capital
232,747	0	0.089%

(*) Through:

Name of direct owner of stake	Number of direct shares
-	-
Total:	

Detail the conditions and term of the current authorisation that the Shareholders' Detail the significant changes in the year, in accordance with Royal Decree 1362/2007:

Date of disclosure	Total number of direct shares acquired	Total number of indirect shares acquired	Pct. of share capital
7-2-2014	1,309,419	0	1.030%
1-4-2014	1,289,845	0	1.013%
23-5-2014	1,276,359	0	1.002%
9-7-2014	1,283,224	0	1.007%
29-8-2014	1,136,496	0	0.892%
10-10-2014	1,326,629	0	1.041%
12-11-2014	1,275,373	0	1.001%

A.9. 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 own shares.

- **Resolution of the Annual General Meeting of 23 May 2013 (item seven of the agenda):**

The General Meeting of Shareholders, on 30 November 2009, resolved under item two of the agenda to approve a buyback programme of own shares to fulfil the obligations deriving from the issuance of exchangeable bonds, resolved under item one of the agenda at that same General Meeting.

The Board of Directors considers that, taking into account, among other particulars, the circumstances that gave rise to the acquisition of treasury stock on the basis of the above-mentioned resolution of the General Meeting, the Company must have the possibility of availing of such shares, subject to the Board of Directors closely monitoring the price of the Company's shares and, if necessary, it may approve a new share buyback programme under the terms passed by the above-mentioned General Meeting of Shareholders of 30 November 2009.

Based on the foregoing, it was resolved to authorise the Company to carry out any acts of disposal under any title allowed by law of the treasury stock held by the Company, which were acquired under the Buyback Programme approved by means of a resolution of the General Meeting of Shareholders on 30 November 2009 under item two of the agenda.

- **Resolution of the Extraordinary General Meeting of 30 November 2009 (item two of the agenda)**

Under the provisions of Article 3 et seq. of European Commission Regulation 2273/2003, of 22 December, to approve a Company share buyback programme whose only purpose is (i) to fulfil the obligations of delivering own shares deriving from the issuance of exchangeable bonds for the amount of four hundred and fifty million euros (€450,000,000) approved by the Company under the resolution of the General Meeting of Shareholders on 18 June 2008 and by virtue of an Executive Commission resolution dated 6 October 2009, by delegation of the Board of Directors on 30 September 2009, and (ii) to reduce the Company's capital by amortising the shares acquired by virtue of the programme or those already held as treasury stock (including, for this purpose, the 5,090,000 shares loaned to the Underwriters), which shall henceforth be deemed to be subject to the terms and conditions of the programme approved by the General Meeting. As a result of the foregoing, resolution six adopted by the General Meeting on 10 June 2009 is annulled to the extent that it has not been executed and the Company is authorised so that, directly or via any of its subsidiaries, within a maximum period of five years from the date of this Meeting, it may acquire, at any time and on as many occasions as it sees fit, shares of the Company by any means allowed by law, all in conformity with Article 75 and related Articles of the Consolidated Text of the Public Limited Companies Act.

It is also decided to approve the limits or requirements of such acquisitions, as follows:

- The par value of the shares acquired, added to those already held by the Company and its subsidiaries, may not at any time exceed ten per cent of the Company's capital.
- The shares acquired must have been fully paid up.
- The acquisition price may not be less than the par value or more than 20 percent of the market price.

The shares acquired under the buyback programme shall be used by the Company to fulfil its exchange or conversion obligations arising from the issuance of the Bonds and/or to reduce the Company's capital, as the case may be.

- **Resolution of the Annual General Meeting of 23 May 2013 (Item seven of the agenda)**

According to the usual practice of listed companies, it is convenient that the Board of Directors have an authorisation for the derivative acquisition of treasury stock in the future, and for such purpose FCC, together with any of the Group companies fulfilling any of the circumstances set out in Article 42, paragraph 1, of the Code of Commerce, were authorised for the derivative acquisition of treasury stock, by means of purchase and sale, swap or any other transactions allowed by Law, at the price resulting from their stock exchange 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 market 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 market price, likewise in the three months prior to the time of acquisition.

By virtue of this authorisation the Board, the Steering Committee and the CEO, indiscriminately, may buy treasury stock, according to the terms provided in article 146 of the Capital Companies Act.

The Board of Directors, the Steering Committee and the CEO may also, indiscriminately, fully or partially allocate the treasury stock they acquire to the execution of remuneration programmes which have as their object or which entail the delivery of shares or share options, pursuant to the provisions in article 146.1 of the Capital Companies 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 treasury shares, which must be fully called up, should allow the companies in the FCC Group that have acquired them to fill in the non-disposable reserve established by article 148, rule 3, of the Capital Companies Act."

- **Resolution of the Annual General Meeting of 27 May 2010 (Item seven of the agenda)**

B. Company shares buyback programme and capital reduction.

Under the provisions of Article 3 et seq. of European Commission Regulation (EC) No 2273/2003 of 22 December, to approve a programme to repurchase shares of the Company whose sole purpose is (i) to meet obligations to deliver shares that arise from the issuance of securities giving entitlement to acquire outstanding shares, or to amortise them in order to limit the dilution of the pre-existing shareholders in case of issuance, while overriding the pre-emptive subscription right of securities that are convertible into, or give entitlement to subscribe for, newly-issued shares, that may be adopted by the Board of Directors of the Company under the provisions of paragraph A above of this Resolution for a maximum of three hundred million euros (€300,000,000) (the "Securities"), and (ii) to reduce the Company's capital by amortising the shares acquired by virtue of the programme or those already held as treasury stock (provided they are not already assigned to preceding share buyback programmes that have not been completed), which will be deemed to be subject to the terms and conditions of the programme approved by the General Meeting of Shareholders.

The Company is authorised so that, directly or via any of its subsidiaries, within a maximum period of five years from the date of this Meeting, it may acquire, at any time and on as many occasions as it sees fit while executing the approved share buyback programme, shares of the Company by any means allowed by law, all in conformity with Article 75 and related articles of the Consolidated Text of the Public Limited Companies Act.

It is also decided to approve the limits or requirements of such acquisitions, as follows:

- The par value of the shares acquired, added to those already held by the Company and its subsidiaries, may not at any time exceed ten per cent of the Company's capital.
- The shares acquired must have been fully paid up.
- The acquisition price may not be less than the par value or more than 20 percent of the market price.

The shares acquired under the buyback programme shall be used by the Company to fulfil its obligations to deliver existing shares in connection with the securities issue or to reduce the Company's capital so as to limit the dilution of existing shares if the shareholders exercise their right to convert or subscribe the newly issued shares in connection with the bond issue.

This resolution does not eliminate or alter the terms and conditions of previous share buyback programmes approved by the Company or the corresponding authorisations for the derivative acquisition of treasury stock, which shall remain in force. This share buyback programme is compatible with previous programmes in place. However, this programme may only be carried out to the extent that it does not preclude the complete fulfilment of prior share buyback programmes and hence the achievement of the aims for which they were approved.

Note:
A relevant event was reported to the CNMV on 1 July 2011 under number 146731 communicating the suspension of the Share Buyback Programme by the Company.

Furthermore, on 6 July 2011, a Relevant Event was reported to the CNMV under number 146998, communicating the subscription of a liquidity contract Santander Investment Bolsa, Sociedad de Valores, S.A.

A relevant event was reported to the CNMV on 26 July 2013 under number 191238 communicating the renewal of the liquidity contract. The CNMV was informed of the end of operations pursuant to the liquidity contract subscribed with Santander Investment Bolsa, Sociedad de Valores, S.A., on 6 July 2011 in respect of company shares under the operativity conditions established by applicable regulations. FCC has subscribed a Liquidity Contract with Bankia Bolsa, Sociedad de Valores, S.A. This contract is applicable to Spanish stock exchanges and the object of the agreement is to favour trading liquidity and regularity. The term of the Liquidity Contract is twelve months, tacitly renewable for 12-month periods and 180,000 shares and EUR 1.7 million is allocated.

It was also reported that said liquidity contract is established in conformity with the provisions in Circular 3/2007, of 19 December, of the National Securities Market Commission (CNMV).

On 18 November 2014, the Company sent the CNMV relevant event no. 214288, communicating the temporary suspension of operations pursuant to the liquidity agreement undersigned with Beka Finance, Sociedad de Valores, S.A., dated 26 July 2013 (Register 191238) involving company shares in the operativity conditions established by the applicable regulations.

On 21 January 2015, the Company informed the CNMV, by means of relevant event no. 217446, of the renewal, as from 22 January 2015, of the liquidity agreement undersigned with Beka Finance, Sociedad de Valores, S.A.

A.10. Indicate whether there are any legal restrictions on the transfer of securities and/or the exercise of voting rights. In particular, any types of restrictions which might hinder the control of the company by acquiring shares on the market shall be communicated.

Yes [X]	No

Description of the restrictions

By virtue of the provisions in the long-term syndicated financing agreement that was undersigned between 24 and 31 March 2014 and entered into full force on 26 June 2014, the financing entities assumed a number of restrictions on the transfer of shares ("Pact of Non-transfer of Shares") and a commitment to the orderly sale of the new shares of FCC they might receive should they exercise the Warrants after the conversion of Tranche B
("Pact of Orderly Sale").

Since the Pact of Non-transfer and the Pact of Orderly Sale represent a restriction of the free transferability of FCC shares, as the case may be, of the financing entities, both these pacts are shareholders' agreements pursuant to Article 530 of the Capital Companies Act (hereinafter, LSC)

For further information consult the Relevant Event of 08/07/2014, number 208276.

Also, according to the agreement to invest in FCC between B-1998, S.L. and Control Empresarial de Capitales, S.A. de C.V. (see relevant event filed with the CNMV no. 214618), the parties undertake, in pact no. 6.1, not to sell or transfer under any title, or negotiate a transaction of that nature with any third parties, 85% of the shares held by the current shareholders and the investor, until the fourth anniversary of the date of the subscription and payment of the shares by the investor within the capital increase (the "Lock-up Period"), with the exceptions described in said agreement.

On the other hand, in the **Note on Shares registered at the CNMV, section 7.3. (Lock-up agreements)** (page 69), contains the following restrictions in relation to the capital increase:

- FCC

By virtue of the Insurance Contract*, FCC has undertaken vis-à-vis the Global Coordinating Entities*, during a period running from the date of the Insurance Contract until the 180 next days starting from next trading day after the date of the public deed documenting the execution of the Capital Increase, mainly not to do the following without the consent of those Global Coordinating Entities: it shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or register a prospectus with any regulating entity in relation to the above-mentioned transactions, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects. The above operations shall not apply to the transactions carried out by the Company in relation to the Capital Increase, the grant of share options or rights in relation to employee bonus plans, dividend payments, transactions involving treasury shares or the conversion of warrants orother instruments already scheduled to be issued as of the date of this note on Securities.

• B-1998, S.L. and Azate, S.A.U.

– B-1998, S.L. and Azate, S.A.U. have undertaken vis-à-vis the Global Coordinating Entities during a term starting on 27 November and up until 180 days elapse since the listing of the New Shares, mainly not to do the following without the consent of the Global Coordinating Entities: they shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects as the above-mentioned transactions.

– By virtue of the investment agreement described under 5.2.2 above, B-1998, S.L. and Azate, S.A.U. have undertaken, for a period of 4 years as from the date of execution of the Capital Increase, not to negotiate with third parties or to carry out a sales transaction or a transfer under any title entailing that the holding of B-1998, S.L. and Azate, S.A.U. drops below 85% of their holding at the time when the Capital Increase is executed.

• CaixaBank, S.A.

CaixaBank, S.A. has undertaken vis-à-vis the Global Coordinating Entities during a term starting on 27 November and up until 180 days elapse since the listing of the New Shares, mainly not to do the following without the consent of the Global Coordinating Entities: it shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects as the above-mentioned transactions.

• Banco Bilbao Vizcaya Argentaria, S.A. and Bankia, S.A.

Banco Bilbao Vizcaya Argentaria, S.A. and Bankia, S.A. have undertaken vis-à-vis the Global Coordinating Entities during a term starting on 27 November and up until 180 days elapse since the listing of the New Shares, mainly not to do the following without the consent of the Global Coordinating Entities: they shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects as the above-mentioned transactions.

• Strategic Investor

– The Strategic Investor has undertaken vis-à-vis the Global Coordinating Entities during a term starting on 27 November and up until 180 days elapse since the listing of the New Shares, mainly not to do the following without the consent of the Global Coordinating Entities: it shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects as the above-mentioned transactions.

– By virtue of the investment agreement described under 5.2.2 above, the Strategic Investor has undertaken, for a period of four years as from the date of execution of the Capital Increase, not to negotiate with third parties or to carry out a sales transaction or a transfer under any title entailing that the Strategic Investor's holding drops below 85% of its holding at the time when the Capital Increase is executed.

*On 27 November 2014 an Insurance Contract was signed between FCC, as the issuer, and the Insurance Entities (which act as insurers and also place securities). Banco Santander, S.A. J.P. Morgan Securities, plc, Morgan Stanley & Co. International plc, CaixaBank, S.A., Société Générale and Fidentiis Equities Sociedad de Valores, S.A. act as insurance entities in relation to the Capital Increase (the "Insurance Entities"). These Insurance Entities insure the entirety of the New Shares except the Locked-up Shares.

A.11. Has the General Meeting of Shareholders resolved to adopt neutralisation measures in the event of a takeover bid as provided in Law 6/2007?

Yes	No [X]

Detail, if appropriate, any such methods that have been approved and the terms in which the restrictions will be rendered ineffective:

A.12. Indicate if the company has issued securities that are not negotiated on a regulated market in the European Community.

Yes	No [X]

Detail, if appropriate, the different classes of shares and, for each class of shares, the rights and obligations they confer.

B. GENERAL MEETING

B.1. State whether there are any differences between the minimum requirements established in the Capital Companies Act (LSC) and the quorum required for a General Meeting to be held.

Yes [X]	No

	Quorum percentage other than that established in art. 193 of LSC for general cases	Quorum percentage other than that established in art. 194 of LSC for special cases mentioned in art. 194 of LSC
Quorum required at first call	50%	-
Quorum required at second call	45%	45%

Description of differences
The annual and extraordinary General Meetings are quorate: Generally, when the shareholders present or represented at first call possess at least fifty per cent of the share capital with voting rights. At second call, the Meeting is quorate when the shareholders present or represented possess at least forty-five per cent of the share capital with voting rights. Specifically, in order for the Meeting to validly decide on bond issues, 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, shareholders possessing at least fifty per cent of the share capital with voting rights must be present or represented at the meeting at first call. At second call, it will suffice for shareholders accounting for at least forty-five per cent of the subscribed voting capital to be present or represented. When the shareholders in attendance or represented at second call account for less than fifty per cent of the subscribed capital with voting rights, the types of resolutions referred to above may only be validly passed with the favourable vote of two-thirds of the share capital present or represented at the Meeting.

B.2. State whether there are differences in respect of the system established in the Capital Companies Act (LSC) for the adoption of corporate resolutions.

Yes	No [X]

Describe the differences in respect of the system provided in LSC.

	Special majority other than that established in article 201.2 of LSC for the cases mentioned in art. 194.1 of LSC	Other cases requiring a special majority
Pct. established by the entity for adopting resolutions	-	-
Describe the differences		
	-	-

B.3. State the rules applying to the amendment of the company bylaws. In particular, indicate the majorities established for the amendment of the bylaws and, as the case may be, the rules established for the protection of shareholder rights in the amendment of the bylaws.

There are no differences with respect to the rights set out in the Capital Companies Act.

Note:
By virtue of the Agreement undersigned between the companies B-1998, S.L., Azate, S.AU. Dominum Dirección y Gestión, S.L. and Control Empresarial de Capitales, S.A. de C.V. on 27 November 2014, the parties have undertaken (clause 5), in relation to the corporate governance of FCC, to call an extraordinary general meeting of shareholders of FCC, attend the meeting and vote for the following decisions:

To amend the bylaws of FCC such that the vote for of at least 50% of the share capital be required for the Meeting of Shareholders to adopt decisions on the following matters:

- Amendment of the corporate purpose.
- Transfer of the registered office abroad.
- The issuance of shares or bonds or convertible securities which exclude pre-emptive rights for shareholders of FCC.
- The issuance or creation of share classes or share series other than those currently outstanding.
- Any remuneration or bonus system for directors or senior executives consisting of the delivery of shares, share options or which in any way are linked to the share price.
- The winding-up, liquidation, merger, spin-off, transfer en bloc of assets or liabilities, change of corporate form or filing for bankruptcy.
- The amendment of the articles of the bylaws regulating the above matters.

B.4. Indicate the figures on the attendance of General Meetings held during the year referred to in this report and those of the previous year:

Date of General Meeting	Pct. in attendance				
	Pct. present	Pct. represented	Pct. of distance vote: Electronic voting	Pct. of distance vote: Others	Total
23-6-2014	51.072%	10.587%		0.107%	61.659%
20-11-2014	50.745%	13.600%		0.050%	64.345%

Note:
The final attendance list for the Meeting of Shareholders of 23 June 2014 was as follows:

- 149 shareholders in attendance controlling 65,016,796 shares accounting for 51.072% of the share capital.
- 897 shareholders represented controlling 13,477,288 shares accounting for 10.587% of the share capital.

As established in the Capital Companies Act, the 38 shareholders controlling 136,438 shares who resorted to distance voting were counted as shareholders in attendance.

The total number of shares present or represented at the General Meeting was 78,494,084, accounting for 61.659% of the subscribed share capital and valued at EUR 78,494,084.00.

The Company held 218,747 shares of treasury stock, equivalent to 0.172% of the share capital.
The final attendance list for the Meeting of Shareholders of 20 November 2014 was as follows:

- 100 shareholders in attendance controlling 64,600,006 shares accounting for 50.745% of the share capital.
- 654 shareholders represented controlling 17,312,845 shares accounting for 13.600% of the share capital.

As established in the Capital Companies Act, the 26 shareholders controlling 63,320 shares who resorted to distance voting were counted as shareholders in attendance.

The total number of shares present or represented at the General Meeting was 81,912,851, accounting for 64.345% of the subscribed share capital and valued at EUR 81,912,851.00.

The Company held 232,747 shares of treasury stock, equivalent to 0.183% of the share capital.

B.5. State whether there are any restrictions in the bylaws regarding a minimum number of shares needed to be able to attend the General Meeting.

Yes No [X]

No. of shares required to attend the General Meeting	-

B.6. State whether it has been resolved that certain decisions entailing a structural modification of the company ('subsidiarisation', purchase and sale of essential operating assets, transactions equivalent to the liquidation of the company, etc.) must be submitted to the General Meeting of Shareholders for approval, even though it is not expressly required in the Mercantile Laws.

Yes [X]	No

Article 8.6 of the Board Rules establishes that the Board of Directors will be answerable for its performance to the General Meeting of Shareholders, and it shall submit to the prior approval of the latter, any transactions entailing a structural amendment of the Company, in particular the following:

(i) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the original firm, even though the latter retains full control of the former;
(ii) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
(iii) Operations that are equivalent to the Company's liquidation.

B.7. Give the address and instructions for accessing corporate governance content and any other information on general meetings that must be made available to shareholders via the Company's web page.

The FCC website (www.fcc.es) has a page dedicated to Corporate Governance, accessible from the home page under 'Information for shareholders and investors' and 'Corporate responsibility'. This page includes the information on the Company's Corporate Governance regulations, government bodies, annual reports on corporate governance and remunerations, meetings of shareholders and shareholders' agreements. These sections provide a specific access for electronic voting and for the electronic shareholder forum, pursuant to the provisions in article 539.2 of the consolidated text of the Capital Companies Act.

This page is two clicks away from the home page. Its contents are structured and ordered by rank, under shortcut titles. All of its pages can be printed.

The FCC website has been designed and programmed according to the WAI (Web Accessibility Initiative) guidelines, which sets international standards for the creation of web contents accessible across the world. The AENOR Accessibility Consultants, after conducting a technical analysis of accessibility, established that the FCC Group website complies with all of the priority 2 and priority 1 checkpoints, according to the UNE 139803:2004 Standard, which is in turn based on the Web 1.0 Content Accessibility Guidelines of W3C (known as WAI guidelines).

The site includes a link under 'Information for shareholders and investors' to the data reported by FCC to the CNMV website.

C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1. Board of Directors

C.1.1. Maximum and minimum number of Directors provided in the bylaws:

Maximum number of Directors	22
Minimum number of Directors	5

C.1.2. Fill in the table below with the members of the Board:

Name or company name of Director	Representative	Board position	Date of first appointment	Date of last appointment	Election procedure
Dominum Desga, S.A.	Esther Alcocer Koplowitz	Chairwoman	27-9-2000	1-6-2011	Voted at Shareholder Meeting
B-1998, S.A.	Esther Koplowitz Romero de Juseu	First Vice-President	17-12-1996	31-5-2012	Voted at Shareholder Meeting
Juan Béjar Ochoa		CEO	31-1-2013	23-5-2013	Voted at Shareholder Meeting
E.A.C. Inversiones Corporativas, S.L.	Alicia Alcocer Koplowitz	Director	30-3-1999	23-6-2014	Voted at Shareholder Meeting
Dominum Dirección y Gestión, S.A.	Carmen Alcocer Koplowitz	Director	26-10-2004	27-5-2010	Voted at Shareholder Meeting
Fernando Falcó y Fernández de Córdova		Director	18-12-2003	27-5-2010	Voted at Shareholder Meeting
Marcelino Oreja Aguirre		Director	21-12-1999	27-5-2010	Voted at Shareholder Meeting
Rafael Montes Sánchez		Director	6-3-1992	23-6-2014	Voted at Shareholder Meeting
Felipe Bernabé García Pérez		Director	30-3-1999	27-5-2010	Voted at Shareholder Meeting
Larranza XXI, S.L.	Lourdes Martínez Zabala	Director	13-1-2005	27-5-2010	Voted at Shareholder Meeting
E.A.C. Medio Ambiente, S.L.	Henri Proglio	Director	25-9-2014	20-11-2014	Voted at Shareholder Meeting
Olivier Orsini		Director	18-7-2013	23-6-2014	Voted at Shareholder Meeting
Gustavo Villapalos Salas		Director	18-7-2013	23-6-2014	Voted at Shareholder Meeting
Gonzalo Rodríguez Mourullo		Director	18-7-2013	23-6-2014	Voted at Shareholder Meeting
Total number of Directors	14				

Note:
On 13 January 2015 the following directors left their position on the Board of Directors: Rafael Montes, Marcelino Oreja, Fernando Falcó y Fernández de Córdoba, Felipe B. García Pérez and E.A.C. Medio Ambiente, S.L. On the other hand, the following directors took office: Inmobiliaria AEG, S.A. de C.V., Inmuebles Inseo, S.A. de C.V., Alejandro Aboumrad González, and Gerardo Kuri Kaufmann.

State any removals from the Board of Directors in the period:

Name or company name of Director	Status of Director at time of removal	Date removed
César Ortega	External Independent Director	4-12-2014
Cartera Deva, S.A.	External Nominee Director	31-3-2014
Gonzalo Anes y Álvarez de Castrillón	External Independent Director	31-3-2014
Henri Proglio	External Independent Director	22-9-2014
Claude Serra	External Nominee Director	23-6-2014

C.1.3. **Fill in the table below on the members of the Board and their status:**

EXECUTIVE DIRECTORS

Name of Director	Committee that proposed the appointment	Position in the Company
Juan Béjar Ochoa	Appointments and Remunerations Committee	CEO
Felipe B. García Pérez	Appointments and Remunerations Committee	Company Secretary
Total number of executive Directors		2
Pct. of the Board		14.29%

EXTERNAL NOMINEE DIRECTORS

Name or company name of Director	Committee that proposed the appointment	Name of the significant shareholder who is represented or who proposed the appointment
Dominum Desga, S.A.	Appointments and Remunerations Committee	B-1998, S.A.
B-1998, S.A.	Appointments and Remunerations Committee	B-1998, S.A.
E.A.C. Inversiones Corporativas, S.L.	Appointments and Remunerations Committee	B-1998, S.A.
Dominum Dirección y Gestión, S.A.	Appointments and Remunerations Committee	B-1998, S.A.
Fernando Falcó y Fernández de Córdova	Appointments and Remunerations Committee	B-1998, S.A.
Marcelino Oreja Aguirre	Appointments and Remunerations Committee	B-1998, S.A.
Rafael Montes Sánchez	Appointments and Remunerations Committee	B-1998, S.A.
Larranza XXI, S.L.	Appointments and Remunerations Committee	B-1998, S.A.
E.A.C. Medio Ambiente, S.L.	Appointments and Remunerations Committee	B-1998, S.A.
Total number of nominee Directors		9
Pct. of the Board		64.29

EXTERNAL INDEPENDENT DIRECTORS

Name of Director	Profile
Olivier Orsini	He has a degree in Applied Economics and a diploma from the Ecole Supérieure de Commerce of Paris, and is widely experienced internationally in the environmental services and infrastructure management sectors. He was the Chairman of Proactiva from December 2002 to 2013, and the company secretary of Veolia Environnement, the first environmental services group in the world, where he developed almost all his career up until April 2012.
Gonzalo Rodríguez Mourullo	Ph.D. In law from the University Of Santiago De Compostela. Currently he is professor emeritus of the Autonomous University of Madrid and full member of the Royal Academy of Case Law and Legislation. He was awarded the Castelao Medal, the highest distinction of the Xunta De Galicia, for his contribution to law. He has been a member of the Madrid Bar Association since 1962.
Gustavo Villapalos Salas	Ph.D. in law and professor of the history of law at the Complutense University of Madrid, of which he was the Dean from 1987 to 1995. In 1995 he was appointed Regional Minister of Education, Culture and Sports of the Autonomous Community of Madrid, a position he held until 2001. He is Doctor Honoris Causa of over 20 universities across the world. He is the Chairman of the OSCE Human Rights subcommittee, a member of the advisory committee on the UNESCO World Heritage sites, of the Royal Academy of Case Law and Legislation, and of the Royal Academy of Moral and Political Sciences.
Total number of Independent Directors	3
Pct. of total Board members	21.43%

State whether any of the Directors considered independent Directors receive from the Company or from the group any sums or benefits other than their remuneration as Directors, or whether they maintain or have maintained during the last year a business relationship with the company or with any of the companies in its group, either in his own name or as a significant shareholder, director or senior executive of a company maintaining or that maintained such a relationship.

In such event, include a statement by the Board justifying the reasons why it considers that said Director may perform Functions as an independent Director.

Name of Director	Description of the relationship	Statement
-	-	-

OTHER EXTERNAL DIRECTORS

Name of Director	Committee that proposed the appointment
-	-

Total number of other external Directors	-
Pct. of total Board members	-

State why these Directors cannot be considered nominee or independent Directors, and indicate any relations between them and the Company, its executives or shareholders:

Name of Director	Reasons	Company, executive or shareholder with which he/she is related
-	-	-

Indicate any changes in Directors' status in the period:

Name of Director	Date of change	Former status	Current status
-	-	-	-

C.1.4. **Fill in the table below on the number of women on the Board over the last four years, as well as what type of Directors they are:**

	Number of female Directors				Pct. of total Directors of the same kind			
	FY t	FY t-1	FY t-2	FY t-3	FY t	FY t-1	FY t-2	FY t-3
Executive	0	0	0	0	0	0	0	0
Nominee	5	5	5	5	55.555	50.000	45.454	45.454
Independent	0	0	0	0	0	0	0	0
Other External	0	0	0	0	0	0	0	0
Total:	5	5	5	5	35.71	27.78	27.78	27.78

C.1.5. State the measures adopted, as the case may be, in order to include a number of women on the Board of Directors such as to be able to reach a balanced number of women and men on the Board.

Explanation of the measures
Article 42.3.h of the Board Rules establishes the following among the functions of the Appointments and Remuneration Committee: "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 the Annual Corporate Governance Report must disclose the reason why there are few or no female Directors and the initiatives adopted to correct this situation."

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 Servicios Ciudadanos, for the promotion of the balanced participation of men and women on Boards of Directors). According to said agreement the Board of Directors of FCC undertakes to: advance in the fulfilment of the recommendation of art. 75 of Organic Law 3/2007, of 22 March, for the Effective Equality of Men and Women; publicly disclose and keep duly updated the data on the directors in conformity with recommendation 28 of the Unified Code of Corporate Governance; include in the internal regulations specific references to the promotion of the balanced participation of men and women on the Board; as well as trying to incorporate members of the least represented gender to the Board.

Also, FCC has 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.

Explanation of the measures
Article 42.3.h of the Board Rules establishes the following among the functions of the Appointments and Remuneration Committee: "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 the Annual Corporate Governance Report must disclose the reason why there are few or no female Directors and the initiatives adopted to correct this situation."

If despite the measures adopted, as the case may be, there is a very low number of women on the Board or none at all, explain the reasons justifying this:

Explanation of the reasons
-

C.1.7. State how shareholders with significant holdings are represented on the Board:

The shareholder B-1998, S.A. is a director of FCC. Also, eight other directors have been designated at the proposal of B-1998, S.A.: Dominum Desga, S.A; EAC Inversiones Corporativas, S.L.; Dominum Dirección y Gestión, S.L.; Fernando Falcó y Fernández de Córdova; Marcelino Oreja Aguirre; Rafael Montes Sánchez; Larranza XXI, S.L.; and E.A.C. Medio Ambiente, S.L.

William H. Gates III is not represented on the Board of Directors of FCC.

C.1.8. Explain, as the case may be, the reasons why nominee directors have been appointed at the request of shareholders whose holding is below 5% of the capital:

Name or company name of shareholder	Reason
-	-

State whether any formal requests for Director positions on the Board have been rejected, when the shareholders making such request have holdings equivalent to or greater than other shareholders who do have nominee Directors. Detail the reasons for any such rejection, as the case may be:

Yes **No [X]**

Name or company name of shareholder	Explanation
-	-

C.1.9. State whether any directors have been removed from office before the end of their term, if they have explained the reasons to the Board and via what means, and if an explanation was given in writing, then state the reasons that they themselves gave:

Name of Director	Reason for removal
Cartera Deva, S.A.	Transfer of its holding in the share capital of B-1998, S.A. to Caixabank.
Gonzalo Anes y Álvarez de Castrillón	Died
Henri Proglio	Personal reasons
César Ortega	Personal reasons

C.1.10. State the powers delegated to the Managing Director(s) or CEO(s), if any are delegated:

Name of Director	Brief description
Juan Béjar Ochoa	Article 35.2 of the Rules of the Board of Directors establishes that: "The Board may delegate permanently, to one or more of its members, all of the powers vested in the Board of Directors with the exception of those which, by law or under the Articles of Association or these Rules, may not be delegated. In order to be valid, the permanent delegation of the powers of the Board of Directors and the designation of the Director or Directors delegated with such powers, regardless of their title, will require the favourable vote of at least two-thirds of the members of the Board of Directors. The CEO is responsible for representing and directing the Company's business, always in keeping with the decisions and criteria established by the General Meeting of Shareholders and the Board of Directors, within the scope of their respective authority. The effective representation and direction of the Company's business affairs includes but is not limited to: • Supporting the Board of Directors in defining the Group's strategy. • Drafting the Business Plan and Annual Budget to be submitted to the Board of Directors for approval. • Preparing, and submitting to the Board of Directors or the Steering Committee for approval, depending on whether the amount involved is more or less than eighteen million euros, respectively, proposals for investments, divestments, credit, loans, surety and guarantee lines and any other type of financial facility.

Name of Director	Brief description
	• Hiring and dismissing any company employees, with the exception of appointments which fall under the powers of the Board of Directors pursuant to the terms of these Rules. Once per year, at the first Board meeting of the year, the CEO will inform the members of the Steering Committee of the actual level of compliance with the forecasts contained in the investment proposals submitted to the Committee and to the Board of Directors for approval." Article 7.2 of the Rules of the Board of Directors establishes that: "In any event, through the passing of resolutions which must be approved in each case as stipulated by law and the Articles of Association, the plenary Board of Directors has exclusive powers over the following formal list of matters, which may not be delegated: a) Appointment and removal of the Chairman, Vice-President, CEOs, Secretary and Vice-Secretary of the Board of Directors and, at the proposal of the CEO, the appointment, removal and, when appropriate, indemnity clauses for the senior executives in the Company's functional areas (Administration, Finance, Human Resources, and the General Secretariat), of members of the Management Committee and, in general, the Company's Senior Executives.

Name of Director	Brief description
	b) Propose to respective Boards of Directors, at the initiative of the CEO and through the Company's representatives, the appointment, removal and, when appropriate, indemnity clauses of the Chairmen and CEOs of the parent companies of FCC Group FCC in this respect shall act in pursuit of the corporate interest of each of them. c) Delegating faculties to any of the members of the Board of Directors in the terms established by law and the Articles of Association, and revoking such powers. d) Appointment and removal of Directors who are to make up the various Committees envisaged in these Rules. e) Supervising the Board's Delegated Committees. f) The appointment of Directors by co-optation if vacancies arise, up until the next General Meeting. g) The acceptance of resignations tendered by Directors. h) Drawing up the financial statements and dividend policy for submission and proposal to the General Meeting, and declaring interim dividends, as the case may be.

Name of Director	Brief description
	i) Defining the structure of the Group and coordinating, within the legal limits, the Group's general strategy in the interests of the Company and its subsidiaries with the support of the Strategy Committee and the CEO , and disclosing in the Annual Corporate Governance Report the respective areas of activity and any business relations between the Company and its listed subsidiaries that are part of the Group, and between those companies and the other Group companies, and the mechanisms established to resolve any conflicts of interest that may arise. j) Approving investments and financing policy, particularly the approval of investments, divestments, credit lines, loans, surety or guarantee lines, and other financial facilities within the limits that the Board of Directors itself establishes, as well as investments and any other types of transactions whose specific circumstances make them strategic. k) In general, the Board's organisation powers and especially the power to amend the Regulations herein. l) The powers vested in the Board of Directors by the General Meeting, which may only be delegated with the express consent of the General Meeting." Also, article 8 ("General Functions – Equilibrium in the development of functions "), establishes in section 1:

Name of Director	Brief description
	"It is up to the Board of Directors to develop any actions that are necessary to carry out the corporate purpose established in the Bylaws, pursuant to the applicable laws." On the other hand, section 2 states that: "Delegation by the Board of powers to any of its members within the limits allowed by the law does not deprive the Board of those powers." The Board of Directors, at its meeting of 31 January 2013, delegated to Mr Juan Béjar Ochoa, effective as from 1 February 2013, a number of different kinds of powers, such as: financial powers, powers of relationship with clients and suppliers, powers related to employment, administration and disposal, powers related to companies and associations, of a legal nature and internal powers. This delegation facilitates the management of the Group and enhances the external manifestation of the Company's will.

C.1.11. **Identify, if appropriate, the members of the Board who hold Director or senior executive positions in other companies that are part of the group of the listed company:**

Name or company name of Director	Name of group entity	Position
E.A.C. Inversiones Corporativas, S.L.	Cementos Portland Valderrivas, S.A.	Director
	FCC Construcción, S.A.	Director
Juan Béjar Ochoa	Cementos Portland Valderrivas, S.A.	Director
Rafael Montes Sánchez	Cementos Portland Valderrivas, S.A.	Director

Name or company name of Director	Name of group entity	Position
Felipe B. García Pérez	FCC Construcción, S.A.	Director-Secretary
	FCC Power Generation, S.L. Unipersonal	Director-Secretary
E.A.C. Medio Ambiente, S.L.	Cementos Portland Valderrivas, S.A.	Director
Olivier Orsini	Cementos Portland Valderrivas, S.A.	Director
Gustavo Villapalos Salas	Cementos Portland Valderrivas, S.A.	Director

C.1.12. State, if appropriate, the directors of your company who are members of the Board of Directors of other companies listed on official securities exchanges in Spain that are not in your same group of companies, which have been communicated to your company:

Name or company name of Director	Name of listed company	Position
Marcelino Oreja Aguirre	Barclays Bank, S.A.	Director
E.A.C. Inversiones Corporativas, S.L.	Realia Business, S.A.	Director
Rafael Montes Sánchez	Realia Business, S.A.	Director

C.1.13. State whether the Company has established rules about the number of directorships its Board members can hold, and describe any such rules:

Yes [X]   No

Explanation of the rules

Article 24.3 of the Board Rules establishes that "Before accepting any management position or Directorship at another company or entity, Directors must consult the Appointments and Remuneration Committee.

Article 22.3 of these Regulations establishes that "Directors must inform the Appointments and Remuneration Committee of any other professional obligations they may have, in case they might interfere in the required dedication to office, and the Board of Directors, following a proposal of the Appointments and Remuneration Committee, must establish how many directorships its Board members may hold."

C.1.14. State the policies and general strategies that the Board in full session has reserved the right to approve:

	Yes	No
Investment and financing policy	X	
Definition of the structure of the group of companies	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan and the annual management and budget objectives	X	
Remuneration policy and assessment of senior management performance	X	
Risk control and management policy and periodical follow-up of internal control and reporting systems	X	
Dividend and treasury share policy, especially its limits	X	

C.1.15. Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (in thousand euros)	5,659.2
Amount of the overall remuneration corresponding to pension rights accrued by the Directors (in thousand euros)	3,242.6
Overall remuneration of the Board of Directors (in thousand euros)	8,901.8

Note:
Juan Béjar accrued in 2014 a variable triennial remuneration of 1,600,000 euros corresponding to the year 2013, the payment being subject to his contract conditions.

C.1.16. Identify the senior executives who are not executive directors, and state the total remuneration they accrued during the year:

Name or company name	Position(s)
Agustín García Gila	Chairman of Environmental Services
Eduardo González Gómez	Chairman of FCC Aqualia and Director of FCC's Institutional Relations
José Luis Sáenz de Miera	Chairman and CEO of Cementos Portland Valderrivas
Miguel Jurado Fernández	Chairman of FCC Construcción
Juan José Drago Masiá	General Manager of Administration
Miguel Hernanz Sanjuan	General Manager of Internal Audits
Víctor Pastor Fernández	General Manager of Finance
José Manuel Velasco Guardado	General Manager of Communication and Corporate Responsibility
Ana Villacañas Beades	General Manager of Organisation
Total remuneration of senior management (in thousand euros)	4,130.93

Note:
During the year senior executive positions in FCC were also held by: Fernando Moreno (Chairman of FCC Construcción) and Antonio Gómez Ciria (General Manager of Administration).

C.1.17. Indicate, as the case may be, the identity of members of the Board who are in turn members of the Board of Directors of significant shareholder companies and/or in group subsidiaries:

Name or company name of Director	Company name of significant shareholder	Position
Dominum Desga, S.A.	B-1998, S.A.	Director
Dominum Dirección y Gestión, S.L.	B-1998, S.A.	Director
E.A.C. Inversiones Corporativas, S.L.	B-1998, S.A.	Director
Rafael Montes Sánchez	B-1998, S.A.	Director

Identify any significant relationships, other than those stated in the preceding section, between Board members and significant shareholders and/or subsidiaries in their group:

Name or company name of Director	Name or company name of shareholder	Description of relationship
Larranza XXI, S.L.	B-1998, S.A.	B-1998, S.A. shareholder agreements.
B-1998, S.A.	Control Empresarial de Capitales, S.A. de C.V.	Agreement for investment in FCC, S.A. (Relevant event of 27/11/2014 filed with CNMV).

C.1.18. State whether there have been any amendments of the Board Rules during the year:

Yes	No [X]

Description of the amendments

C.1.19. State the procedure for appointing, re-appointment, assessing and removing directors. State the competent bodies, the process and the criteria for each procedure.

The General Meeting is in charge of appointing and removing Board members. Directors may be re-elected indefinitely one or more times, for three-year terms.

Chapter IV of the Rules of the Board of Directors, "Appointment and Removal of Directors," establishes the following:

Article 16. "Appointment, ratification or re-appointment of Directors"
"Proposals for the appointment or re-appointment of Directors submitted by the Board of Directors to the General Meeting of Shareholders for its consideration, and the appointments made by the Board using the powers of co-optation attributed to it by law must fall upon people of recognised integrity, fitness, technical competence and experience, and must be approved by the Board based on a proposal from the Appointments and Remuneration Committee, in the case of independent Directors, and based on a prior report of the Appointments and Remuneration Committee, in the case of other Directors."

Article 18. "Term of office"
"1. Directors shall hold office for the term established in the bylaws.
2. The Directors appointed by co-optation will hold office until the next General Meeting is held. This period will not count toward the term established in the preceding paragraph.
3. Directors whose mandates expire or who cease to sit on the Board for any reason may not render services to FCC competitors for two years.
4. If the Board of Directors deems it appropriate, it may dispense former Directors from this obligation or shorten the term thereof."

Article 19. "Re-appointment of Directors"
"Prior to proposing re-appointment of any Director to the General Meeting of Shareholders, the Appointments and Remuneration Committee must issue a report that evaluates the quality of work and dedication of the proposed Directors during their previous mandate."

Assessment:

Article 38. "Meetings of the Board of Directors"
"6. The plenary Board will devote its first meeting each year to an assessment of its own performance during the preceding year, evaluating the quality of its work and the efficacy of its rules and, if necessary, correcting any aspects which have been shown to be dysfunctional. At that meeting, in light of the relevant report submitted by the Appointments and Remuneration Committee, it will also evaluate the performance of functions of the Chairman of the Board and of the CEO, as well as the performance of its committees based on the reports submitted by these."

Article 20. "Removal of Directors"
"1. Directors shall be removed from office when the term for which they were appointed has elapsed or when the General Meeting so decides exercising the powers granted to it by the law and the bylaws."

Article 21. "Nature of Board resolutions on this matter"
"Pursuant to the provisions of Article 25 of these Rules, the Directors being proposed for appointment, re-appointment or dismissal may not participate in the debates or vote on these issues."

Regarding corporate governance in FCC, see the Agreement for Investment in FCC S.A. (relevant event no. 214618 filed with the CNMV of 27 November 2014) undersigned by B-1998, S.A. and Control Empresarial de Capitales, S.A. de C.V., 5th shareholders' Agreement, on undertakings by the parties in terms of the "Corporate Governance of FCC."

C.1.20. State whether the Board of Directors has evaluated its activities during the year:

Yes [X]	No

As the case may be, explain to what extent that self-evaluation has given rise to important changes in its internal organisation and in the procedures applying to its activities:

Description of amendments

The Board of Directors of FCC issued, on 19 May 2014, a report evaluating the quality and efficiency of its performance and of its Committees in respect of the year 2013, in order to comply with the duty imposed by Article 38.6 of the Rules of the Board of Directors.

The Board considered it convenient to again seek advice from the consultancy firm Spencer Stuart, as it had done in the year 2012 (in respect of the year 2011), to help improve the evaluation of the functioning of the administration bodies and thereby achieve a more transparent and effective corporate governance.

Spencer Stuart started by drawing up a checklist for the self-assessment of the Board and for the assessment of the CEO and the Chairwoman. The self-assessment matters consisted of the composition, organisation and functioning of the Board, the knowledge and involvement of the Board, relations with senior management and the organisation and functioning of the committees. The two partners of Spencer Stuart had individual meetings with each of the directors and, after the corresponding analysis and the drawing up of their conclusions, they presented a document to the Appointments and Remuneration Committee and then to the Board.

The study conducted by Spencer Stuart concluded with a number of recommendations and suggestions to improve aspects of the current Board practise:

- Reducing the number of Board members.
- Increasing the number of directors with CEO experience in complex global companies.
- Increasing the permanent training for directors.
- Dedicating at least one Board meeting per year to strategic aspects.
- Creating a Global Succession Plan or Protocol.

The Appointments and Remuneration Committee also made a positive assessment of the conclusions of the Spencer Stuart report and made sure to oversee the effective implementation of the recommendations. Additionally, the Committee also drew up a report on the scores of the directors and the performance of the Chairwoman and the CEO during the year 2013.

Fulfilling the above mandate, at the meeting of the Board of Directors held on 19 May 2014 a resolution was passed (Resolution 32/2014) whereby the document submitted by that Committee was approved.

C.1.21. State the reasons for which directors may be forced to resign.

Article 20 of the Rules of the Board establishes the following:

“1. Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Bylaws.”

2. The Directors must tender their resignation to the Board of Directors and officially resign at the Board’s request 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 nominee directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that its number of nominee directors must be reduced.
c) When they fall under a situation of incompatibility or legal disqualification provided by law.
d) When the Board, by a two-thirds majority, asks the director to resign:

- if he or she receives a severe reprimand from the Board due to breach of his or her duties as director, based on a proposal or report by the Appointments and Remuneration Committee or
- when his or her permanence on the Board may jeopardise the Company’s credibility and reputation; directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any

event, if any director is tried for any of the corporate crimes described in Article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether the Director must resign or not, and it must give a justification in the Annual Corporate Governance Report.

C.1.22. **Explain whether the functions of the Company's chief executive are performed by the Chairman of the Board. If so, state the measures taken to limit the risk of a single person accumulating power:**

Yes	No [X]

Risk-limiting measures
-

State whether the Company has established rules to empower an independent Director to request a Board meetings or the inclusion of new items on the agenda; to coordinate and give voice to the concerns of external Directors; and to lead the Board's evaluation; of any such rules:

Yes [X]	No

Explanation of the rules

Article 34.3 of the Rules of the Board establishes the following:

"When a Company's Chairman is also its CEO or top executive, an independent Director should be empowered by the Board to request the calling of Board meetings or the inclusion of new business on the agenda, to coordinate and give voice to the concerns of external Directors, and to lead the Board's evaluation of the Chairman".

C.1.23. **Is a supermajority, other than the legal majority, required in some decisions?**

Yes	No [X]

If so, describe the differences.

Description of differences
-

C.1.24. **Detail whether there are specific requirements, other than those relating to directors, to be appointed Chairman.**

Yes	No [X]

Description of requirements
-

C.1.25. **State whether the Chairman has a casting vote:**

Yes	No [X]

Issues in respect of which there is a casting vote
-

C.1.26. **State whether the Bylaws or the Rules of the Board establish an age limit for directors:**

Yes	No [X]

Age limit for Chairman	☐
Age limit for CEO	☐
Age limit for Directors	☐

C.1.27. State whether the Bylaws or the Rules of the Board establish a term limit for independent directors, other than that established in the regulations:

Yes No [X]

Maximum number of years in office	-

C.1.28. State whether the bylaws or the rules of the Board of Directors establish specific rules for delegating votes on the Board of Directors, how this is done and, in particular, the maximum number of delegations to one same Director, as well as whether it is compulsory to delegate one's vote to a Director of the same class. If so, give a brief description.

There are no are formal processes for delegating votes on the Board of Directors.

C.1.29. State the number of Board of Directors meetings held in the year. Also, state the number of times that the Chairman did not attend the Board meeting. Proxies granted with specific instructions are not counted as absences:

Number of meetings of the Board of Directors	13
Number of Board meetings without the attendance of its Chairman	0

Indicate the number of meetings held by the various Board Committees in the year:

Number of Steering Committee meetings	9
Number of Audit or Control Committee meetings	7
Number of Appointments and Remuneration Committee meetings	9

C.1.30. State the number of Board of Directors meetings held in the year that were attended by all of its members. Proxies granted with specific instructions are not counted as absences:

Attendance by Board members	184
Pct. of attendance over the total votes during the year	88.88%

C.1.31. State whether the individual and consolidated financial statements that are presented for Board approval have been certified:

Yes [X] No

Indicate any person(s) who have certified the company's individual and consolidated financial statements for Board authorisation:

Name	Position
Juan Béjar Ochoa	CEO
Juan José Drago Masiá	General Manager of Administration
Víctor Pastor Fernández	General Manager of Finance

C.1.32. Detail whether the Board of Directors has established any mechanisms to avoid that the individual and consolidated financial statements authorised by it be presented to the General Meeting with audit qualifications.

The Audit and Control Committee has among its functions that of revising the process of drafting the economic and financial reports that FCC Group publishes from time to time. This revision is particularly important in the case of the annual report; therefore, prior to the Board of Directors' drawing up of the annual financial statements, the Audit and Control Committee thoroughly examines those statements and requests that the external auditor explain the conclusions of its review so that, once the statements are approved by the Board, the external auditor's report contains no qualifications.

C.1.33. Is the Secretary of the Board a Director?

Yes No [X]

Note:
Mr Francisco Vicent Chuliá was appointed Secretary of the Board of Directors at the Board meeting held on 26 October 2004.

C.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the Appointments Committee was consulted and the appointment or removal was approved by the full Board:

Appointment and removal procedure

Article 36 of the Board Rules (Secretary of the Board. Functions. Vice-secretary of the Board) establishes that the Secretary of the Board does not have to be a Director. The appointment and removal must be approved by a full Board meeting based on a proposal by the Appointments and Remuneration Committee.

Also, Article 42 of the Rules (Appointments and Remuneration Committee) establishes in section 3. i) that the Appointments and Remuneration Committee shall have the authority to report, advise and make proposals within its functions, in particular "j) Reporting prior to the appointment and removal of the Secretary of the Board."

Mr Francisco Vicent Chuliá was appointed non-voting Secretary of the Board at a Board meeting held on 26 October 2004. The current Appointments Committee did not exist at the time. The appointment was unanimously resolved.

	Yes	No
Is the Appointments Committee consulted on the appointment?	X	
Is the Appointments Committee consulted on the removal?	X	
Does the full Board approve the appointment?	X	
Does the full Board approve the removal?	X	

Is the Board Secretary entrusted in particular to ensure compliance with corporate governance recommendations?

Yes [X] No

Comments

Article 36.2 of the Rules of the Board establishes that the Secretary shall especially see to it that the Board's actions:

(i) are adjusted to the letter and spirit of the Laws and regulations, including those approved by regulatory bodies;
(ii) are in conformity with the Bylaws and the Rules of the General Meeting, the Board and any others that the Company may have;
(iii) and that they bear in mind the recommendations on governance included in the Bylaws and Rules of the Company.

C.1.35. State the mechanisms, if there are any, established by the Company to maintain the independence of external auditors, financial analysts, investment banks and rating agencies.

These mechanisms are included in Article 41.4 of the Rules of the Board, which states as follows:

"4. 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 external auditors.

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) Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.

b) Liaising between the Board of Directors and the Company's external Auditor, evaluating the results of each audit, with the following additional duties with respect to the external Auditor:

(i) Making recommendations to the Board of Directors for the selection, appointment, re-election and removal of the external Auditor, and the terms and conditions of his or her engagement;
(ii) receiving regular information from the external Auditor on the progress

and findings of the audit programme, and checking that senior management are acting on its recommendations;

(iii) discussing with the external Auditors any significant weaknesses found in the internal control system as a result of the audits conducted;

(iv) ensuring the independence of the external Auditor and, in particular, establishing appropriate measures to ensure that:

1) contracting 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 will receive an annual report from the Auditors confirming in writing their independence in respect of the Company or the entities directly or indirectly related to it and information on any additional services of any kind rendered to the companies by the Auditors or by persons or entities related to the Auditors, as provided for in the Auditing Act; and

2) the Company issues a relevant event to the CNMV as regards the change in Auditor, with a statement about any disagreements with the outgoing Auditor and their nature; where the external Auditor resigns, the Committee must examine the reasons;

(v) and seeking to ensure that the Company's Auditor takes responsibility for auditing the companies comprising the Group.

c) Issuing a report each year, prior to the publication of the audit report, expressing an opinion on the independence of the Company's Auditors or auditing companies. This report must necessarily address any additional services of the kind referred to in section b) (iv) 1 above.

d) Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and inform it directly of any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year.

e) Supervising and analysing the risk control and management policy, identifying at least:

(i) the different types of risk to which the Company is exposed, 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 identified, should they occur;

(iv) and 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 submission to the Board 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 periodically to the markets, 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) the financial information that the Company must release periodically by virtue of being listed, ensuring that the interim financial statements are drawn up in accordance with the same accounting principles as the annual financial statements and, to this end, considering the advisability of a limited review by the Company's external Auditor;

(ii) and 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) monitoring the preparation and the integrity of the financial information prepared on the Company and, as the case may be, the Group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles;

(ii) reviewing internal control and risk management systems on a regular basis, to ensure that the main risks are properly identified, managed and disclosed;

(iii) monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-election and removal of the head of internal audit; proposing that department's budget; receiving regular reports on its activities; and verifying that senior management are acting on the findings and recommendations of its reports;

(iv) periodically receiving information from the Response Committee and the Management Control and Risk Management Department, respectively, on how they carry out their activities and on how internal controls work;

(v) and ensuring that the internal codes of conduct and the rules of corporate governance comply with the requirements of law and are appropriate for the Company, and reviewing compliance, by the persons governed by those codes and governance rules, of their obligations to inform the Company.

h) Issuing reports and proposals as requested by the Board of Directors or the Chairman of the Board and those it deems appropriate for the best performance of its functions, particularly the report on proposed amendments to these Rules, as provided in Article 4.3.

i) Deciding on requests for information presented by directors, by virtue of Article 30.3 of these Rules, to the Committee, and requesting the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in Article 38.3 of these Rules."

C.1.36. State whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditor:

Yes	No [X]

Outgoing auditor	Incoming auditor
-	-

If there was a disagreement with the outgoing auditor, describe it:

Yes	No

Explanation of disagreement
-

C.1.37. State whether the audit firm performs other work for the Company and/or its group other than auditing and, if so, state the fees received for such work and those fees as a percentage of total fees billed to the Company and/or its group:

Yes [X]	No

	Company	Group	Total
Amount of other non-audit jobs (in thousand euros)	263	98	361
Amount of non-audit jobs / total amount billed by audit firm (in pct.)	15.315%	3.054%	7.343%

C.1.38. State whether the auditors' report on the previous year's financial statements had any reservations or was qualified. If it was, state the reasons given by the Chairperson of the Audit Committee to explain the content and scope of the qualification or reservation.

Yes No [X]

Explanation of the reasons

-

C.1.39. State the number of consecutive years that the current audit firm has been auditing the financial statements of the Company and/or its group. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Company	Group
Number of consecutive years	13	13
Number of years the current audit firm has audited / number of years the Company has been audited (as a percentage)	52%	52%

C.1.40. State whether there is a procedure for directors to engage external consultants and, if so, provide details:

Yes [X] No

Detail the procedure

Article 31 "Expert assistance" of the Rules of the Board states that:

"1. In order to assist them in performing their duties, external directors are entitled to obtain the necessary assistance from the Company to perform their duties and, where necessary, to obtain advice, at FCC's expense, from legal, accounting and financial consultants and other experts.

2. Requests to engage external consultants or experts must be referred to the Chairman of FCC and will be approved by the Board of Directors if it considers that:

a) it is necessary for the proper performance by independent directors of their assigned duties,
b) the cost is reasonable, in view of the importance of the problem and the assets and revenues of FCC, and
c) the technical assistance received cannot be properly provided by internal FCC experts or technical personnel.

3. Requests for expert assistance by any of the Board Committees should not be denied except when a majority of the Board members considers that the conditions envisaged in paragraph 2 of this article are not met."

C.1.41. State whether there is a procedure for directors to have the necessary information to prepare for the meetings of the governing bodies with sufficient time and, if so, provide details:

Yes [X] No

Detail the procedure

Article 38 "Meetings of the Board of Directors" of the Rules of the Board defines the procedure as follows:

"1. The Board of Directors must meet with the necessary frequency to properly perform its functions, and whenever the interests of FCC so require, in accordance with a calendar and agendas set at the beginning of the year, to which each director, along with any of the Board's Committees, may propose the addition of other items not initially envisaged in the agenda, such proposal must be made not less than thirteen days prior to the date scheduled for the meeting. The calendar of the ordinary meetings will be set by the Board at the beginning of each year. The calendar may be modified by decision of the Board itself or of the Chairman, who will notify the directors of the change at least ten days in advance of the original meeting date, or of the modified meeting date, if it is earlier.

2. The announcement of the ordinary meetings will be sent by post, fax, e-mail or telegram and will be authorised with the signature of the Chairman or his alternate or the Secretary or Vice-Secretary, by order of the Chairman.

Notwithstanding the provisions of Article 30 of the Bylaws, every effort will be made to announce the meetings not less than ten days in advance. Along with the announcement of each meeting, the directors will be provided with the meeting agenda and the pertinent documentation to enable them to form an opinion and if applicable, to vote on the issues submitted to them for their consideration.

In emergency situations, at the Chairman's discretion, an immediate meeting of the Board of Directors may be called, in which case the meeting agenda will be limited to the urgent matters.

3. The Chairman will decide the meeting agenda. The directors and the Board Committees may ask the Chairman to include items on the agenda in the terms envisaged in section 1 of this article, and the Chairman will be obliged to include them.

When a specific item is included on the meeting agenda as requested by the directors, then the directors who requested the inclusion of that item must forward the pertinent documentation along with their request or identify the pertinent documentation so that it can be forwarded to the rest of the Board members.

In view of the directors' duty of confidentiality, every effort will be made to ensure that the importance and confidential nature of the information is not used as a pretext for breaching this rule, except under exceptional circumstances at the Chairman's discretion.

4. Board meetings may be held via telephone multi-conference, videoconference or any other analogous system so that one or more directors can attend the meeting via that system. For that purpose, in addition to stating the location where the meeting is physically held, which is where the Board Secretary must be located, the announcement must state that directors can attend via telephone conference, videoconference or an equivalent system, indicating and making available the technical means for this purpose, which in all cases must enable direct, simultaneous communication among attendees. The Secretary of the Board of Directors must enter, in the minutes of meetings held in this way, in addition to the names of the directors who physically attended or those represented by another director, those who attended via telephone multi-conference, videoconference or an equivalent system."

C.1.42. State whether the Company has rules obliging directors to inform and, if appropriate, to resign in any circumstance that might harm the organisation's name or reputation, and describe any that exist:

Yes [X]	No

Explain the rules:

According to Article 29 of the Rules of the Board on Directors' duty of disclosure, "Directors must disclose the following to FCC's Appointments and Remuneration Committee through the Corporate Responsibility Department or any other that takes its place: d. Legal, governmental, or any other type of claim which, due to its significance, could have a serious effect on the reputation of FCC."

Also, article 20.2.d) on Removal of Directors states that 'Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases:

d. When the Board itself requests it by a majority of at least two thirds of its members:

- When their permanence on the Board may jeopardise the Company's credibility and reputation, and directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any Director is indicted or tried for any of the crimes stated in Article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the director must resign, and it must give a justification in the Annual Corporate Governance Report."

C.1.43. State whether any member of the Board of Directors has informed the Company that he has been charged with, or tried for, any of the crimes stated in Article 213 of the Capital Companies Act:

Yes No [X]

Name of Director	Criminal Case	Comments
-	-	-

State whether the Board of Directors has analysed the case. If it has, give a reasoned explanation on the decision made regarding whether it is fit for the Director to remain in office, or as the case may be, explain the action taken by the Board of Directors up until the date of this report or those that it plans to carry out.

Yes No

Decision or action taken	Explanation
-	-

C.1.44. Detail the significant agreements entered into by the company which will enter into force, be amended or terminated in the event of a change of control of the company following a takeover bid, and the effects thereof.

A change of control of FCC as a consequence of a takeover bid could represent an event of obligatory full early repayment of the Syndicated Financing Agreement amounting to Đ4,511,644,219.02, undersigned on 24 March 2014, which entered into force on 26 June 2014 (Clause 8.4.1(a)), unless:

(A) The loss of control does not entail the acquisition of control by a third party;
(B) The acquisition of control is done by:
(a) An industrial company of renowned solvency, experience and the management capacity of a group of the size and characteristics of FCC Group (or by a consortium led by such a company);
(b) By credit entities, whether Spanish or foreign, provided that they are of renowned solvency, experience and the management capacity of a group of the size and characteristics of FCC Group.

C.1.45. State in aggregate and indicate, in detail, any agreements between the Company and its administration and management officers or employees providing severance, guarantee or golden parachute clauses, whenever they resign or are subject to summary dismissal or if their agreement is terminated due to a takeover bid or other type of transaction.

Number of beneficiaries	2
Type of beneficiary	**Description of the resolution**
Second Vice-President and CEO, and Company Secretary.	Notwithstanding their director status, the two Executive Directors (the Second Vice-President and CEO, as well as the Company Secretary) have contractual arrangements with the company that regulate the performance of their managerial or executive functions. In both cases they are permanent contracts to which there generally apply the regulations on: (i) agreements for the provision of services, in the case of the second Vice-President and CEO, and (ii) senior management employment agreements, in the case of the Company Secretary. These contracts may be extinguished by either party, and said officers shall have the right to severance provided that the extinguishment of the contractual relationship is not a consequence of non-performance of their functions, nor of his/her own free will, under the following terms:

Type of beneficiary	Description of the resolution
	• Second Vice-President and CEO: There having been a change of control in the company (understood as a loss of B-1998, S.A.'s majority in FCC or the loss of Esther Koplowitz's majority in B-1998, S.A.) within the scope of FCC's capital increase agreed to on 19 December 2014, the CEO may exercise the right to terminate the contract (within a term of one (1) month that shall commence once 1 year has elapsed since the completion of said capital increase) with the right to collect, in such event, an amount equal to twice the sum of the following amounts: fixed annual remuneration + average annual variable bonus for the last two years + average triennial variable bonus for the last two years + the triennial variable bonus accrued and not yet paid. Extinguishment of the contract decided by the company: a) If the contract is extinguished before 13 months have elapsed following the completion date of the FCC capital increase (19/12/2014): The senior executive shall be entitled to twice the sum of the following amounts: fixed annual remuneration + average annual variable bonus for the last two years + average triennial variable bonus for the last two years + the triennial variable bonus accrued and not yet paid. b) After the above period has elapsed and before 30 June 2019: the senior executive will be entitled to the sum of the following amounts: fixed annual remuneration + average annual variable bonus for the last two years + average triennial variable bonus for the last two years + the triennial variable bonus accrued and not yet paid. c) As from 30/06/2019: the senior executive shall be entitled to what is established in Royal Decree 1382/85 for events of termination of contract.

Type of beneficiary	Description of the resolution
	• Company Secretary: The Company, with the authorisation of the Executive Commission, contracted and paid an insurance premium in order to meet the payment of the contingencies related, among other items, to death or to permanent occupational disability and to retirement bonuses and pensions and other concepts, for some of the executive directors and senior executives. In particular, the contingencies giving rise to severance pay are those that entail the extinction of the employment relationship for any of the following reasons: a) Unilateral decision by the Company. b) Winding up or disappearance of the parent company for any reason, including merger or spin-off. c) Death or permanent disability. d) Declaration of physical disability or legal incompetence for any other reason. e) A substantial change in professional conditions. f) Resignation, upon reaching the age of 60, at the executive's request and with the Company's consent. g) Resignation at age 65, by unilateral decision of the executive. As of 31 December 2014, the Company Secretary has accumulated under said insurance a net amount equal to 3.5 times his gross annual remuneration.

Indicate whether these contracts have to be notified to and/or approved by the Company's or group's bodies:

	Board of Directors	General Meeting
Body that authorises the clauses	X	

	Yes	No
Is the General Meeting informed of the clauses?	X	

C.2. Board of Director Committees

C.2.1. Detail all the Board of Director Committees, their members and the proportion of nominee and independent directors among them:

Executive Commission		
Name	Position	Type
Juan Béjar Ochoa	Chairman	Executive
Fernando Falcó y Fernández de Córdova	Director	Nominee
Esther Alcocer Koplowitz en representación de Dominum Desga, S.A.	Director	Nominee
Alicia Alcocer Koplowitz en representación de E.A.C. Inversiones Corporativas, S.L.	Director	Nominee
Francisco Vicent Chuliá	Non-voting Secretary	Executive
Felipe B. García Pérez	Non-voting Vice-secretary	Executive

Pct. of Executive Directors	25%
Pct. of Nominee Directors	75%
Pct. of Independent Directors	0%
Pct. of other External Directors	0%

Audit and Control Committee		
Name	Position	Type
Gustavo Villapalos Salas	Chairman	Independent
Esther Alcocer Koplowitz en representación de Dominum Desga, S.A.	Director	Nominee
Alicia Alcocer Koplowitz en representación de E.A.C. Inversiones Corporativas, S.L.	Director	Nominee
Fernando Falcó y Fernández de Córdova	Director	Nominee
Felipe B. García Pérez	Non-voting Secretary	Executive

Pct. of Executive Directors	0%
Pct. of Nominee Directors	75%
Pct. of Independent Directors	25%
Pct. of other External Directors	0%

Appointments and Remuneration Committee		
Name	Position	Type
Esther Alcocer Koplowitz en representación de Dominum Desga, S.A.	Chairman	Nominee
Fernando Falcó y Fernández de Córdova	Director	Nominee
Alicia Alcocer Koplowitz en representación de E.A.C. Inversiones Corporativas, S.L.	Director	Nominee
Carmen Alcocer Koplowitz en representación de Dominum Dirección y Gestión, S.L.	Director	Nominee

Appointments and Remuneration Committee		
Name	Position	Type
Rafael Montes Sánchez	Director	Nominee
Gustavo Villapalos Salas	Director	Independent
Olivier Orsini	Director	Independent
Gonzalo Rodríguez Mourullo	Director	Independent
Felipe Bernabé García Pérez	Non-voting Secretary	Executive

Pct. of Executive Directors	0%
Pct. of Nominee Directors	62.5%
Pct. of Independent Directors	37.5%
Pct. of other External Directors	0%

Strategy Committee		
Name	Position	Type
Esther Koplowitz Romero de Juseu en representación de B-1998, S.A.	Chairwoman	Nominee
Esther Alcocer Koplowitz en representación de Dominum Desga, S.A.	Director	Nominee
Alicia Alcocer Koplowitz en representación de E.A.C. Inversiones Corporativas, S.L.	Director	Nominee
Carmen Alcocer Koplowitz en representación de Dominum Dirección y Gestión, S.L.	Director	Nominee
Fernando Falcó y Fernández de Córdova	Director	Nominee
Lourdes Martínez Zabala en representación de Larranza XXI, S.L.	Director	Nominee
Rafael Montes Sánchez	Director / Secretary	Nominee
Gustavo Villapalos Salas	Director	Independent

Pct. of Executive Directors	0%
Pct. of Nominee Directors	87.5%
Pct. of Independent Directors	12.5%
Pct. of other External Directors	0%

C.2.2. **Fill in the table below on the number of female Directors on the Board Committees during the last four years:**

	Number of Female Directors			
	FY t Number Pct.	FY t-1 Number Pct.	FY t-2 Number Pct.	FY t-3 Number Pct.
Executive Commission	2 50%	2 29%	2 33%	2 33%
Audit Committee	2 50%	2 40%	2 40%	2 40%
Appointments and Remuneration Committee	3 37%	3 30%	3 33%	3 33%
Strategy Committee	5 62%	5 62%	5 50%	5 50%

C.2.3. **State whether the following functions are attributed to the Audit Committee:**

	Yes	No
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.	X	
Periodically check the systems of internal control and risk management, in order that the principal risks are identified, managed and announced adequately	X	
Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports	X	
Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.	X	
Make recommendations to the Board for the selection, appointment, re- appointment and removal of the external auditor, and the terms and conditions of his engagement.	X	
Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.	X	
Monitor the independence of the external auditor	X	

C.2.4. **Give a description of the rules of organisation and functioning, together with the responsibilities attributed to each one of the Board committees.**

Executive Commission

Its rules are determined by Article 36 of the Bylaws of FCC, which are extracted below:

"The Executive Commission will be convened by the Chairman, on his/her own initiative or upon the request of two Committee members. The notice will be sent by letter, telegram, e-mail or fax to each of the Committee members at least 48 hours in advance of the meeting date. The Executive Commission may be convened immediately for reasons of urgency, in which case the meeting agenda will be limited to the issues which caused the urgency."

"The meetings shall be held at the Company's registered offices or another location designated by the Chairman and stated in the announcement.

In order for the Executive Commission to be quorate, there must be a majority of members present or represented.

Absent members may be represented by another member of the Executive Commission by notifying the Chairman in writing.

The deliberations will be directed by the Chairman, who shall give the floor to the attendants wishing to speak.

If the Chairman of the Executive Commission is absent, or if the position is vacant, the meeting will be chaired by a Committee member chosen by majority vote of those in attendance.

Resolutions will be passed by absolute majority of the Committee members.

In the event of a tie, the matter will be forwarded to the Board of Directors. In this case, the members of the Executive Commission will request that a meeting be convened as provided for in Article 30 of the Bylaws, [...]"

Additionally, Article 40 of the Rules of the Board of Directors establishes that:

"2. The Board of Directors will designate the directors to form part of the Executive Commission, ensuring that its structure is similar to that of the Board itself in terms of the various categories of director. The Secretary of the Board will also be the secretary of the Executive Commission.

3. The Executive Commission will be composed of a minimum of five and a maximum of ten members.

4. The members of the Executive Commission will step down from the Committee when they cease to be directors or when decided by the Board.

5. Any vacancies arising will be filled as quickly as possible by the Board of Directors.

6. If the Chairman of the Executive Commission is absent, or if the position is vacant, the meeting will be chaired by a Committee member chosen by majority vote of those in attendance.

7. The Executive Commission will hold ordinary meetings in the months when a Board of Directors meeting is not scheduled, apart from the month of August, and it may meet on an extraordinary basis when required by the Company's interests. Along with the announcement of each meeting, the members of the Executive Commission will be provided with the pertinent information they need to form an opinion and vote.

8. The Executive Commission will be convened by the Chairman, on his own initiative or upon the request of two Committee members. The notice will be sent by letter, telegram, e-mail or fax to each of the Committee members at least 48 hours in advance of the meeting date, and in under ten days. The Executive Commission may be convened immediately for reasons of urgency, in which case the meeting agenda will be limited to the issues which caused the urgency. Along with the announcement of each meeting, the members of the Executive Commission will be provided with the pertinent information they need to form an opinion and to vote [...].

9. The Executive Commission will be quorate when the majority of its members are present or represented at the meeting.

10. The Executive Commission, through its Chairman, will inform the Board of the business transacted and the decisions made by the Committee, and a copy of the minutes of each meeting will be given to each director.

11. In all other matters, the Executive Commission will be governed by the pertinent provisions of the Bylaws and, specially, by the provisions relating to the Board of Directors contained in the Bylaws and these Rules."

Audit and Control Committee

Its functions are governed by Article 41 of the Board Rules. It must comprise at least three Directors designated by the Board of Directors taking into account their knowledge and experience of accounting, auditing or risk management; all of its members will be external Directors, and the Committee will appoint a Chairman from among its members, who will hold office for not more than four years; it may also appoint a Vice-President. The term of the members of the Committee may not exceed their terms as Directors, notwithstanding the possibility that they may be re-appointed indefinitely so long as they are also re-appointed as Directors.

At least one of the members of the Audit and Control Committee must be an independent Director and will be appointed based on his/her accounting and/or auditing expertise and experience.

The Secretary and Vice-Secretary, if any, shall be chosen by the Committee and need not be Board members.

The members of the Committee may obtain advice from external professionals. These advisors will attend the meetings and may speak but not vote.

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 external auditors.

Its main responsibilities include:

- Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.
- Liaising between the Board of Directors and the external auditor, evaluating the results of each audit.
- Supervising the Company's internal auditing services.
- Analysing the risk control and risk management policy.
- Supervising the process of drafting the separate and consolidated financial statements and management reports and the regular financial disclosures to the market.
- Issuing a report each year, prior to the publication of the audit report, expressing an opinion on the independence of the Company's auditors. This report must necessarily address any additional services rendered.
- Issuing reports and proposals as requested by the Board of Directors or the Chairman of the Board and those it deems appropriate for the best performance of its functions, particularly the report on proposed amendments to the Board Rules.

Appointments and Remuneration Committee

This Committee is organised and governed by Article 42 of the Rules of the Board of Directors.

"1. The Board of Directors of FCC shall permanently establish an Appointments and Remuneration Committee. It will be composed of a minimum of three (3) Board members appointed by the Board of Directors. The majority of its members will be external directors and the Chairman will be appointed from among the latter. 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 the Corporate Bylaws and these Rules. The Committee will designate a Secretary, who need not be a member of the Committee, to aid the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the development of the deliberations, 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.

   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 Chairman shall have a casting vote in the event of a tie.

3. The Appointments and Remuneration Committee will have the powers to inform, advise and propose within its areas of competence, and it will have the following functions in particular, in addition to those already indicated in these Rules:

a) Evaluating the balance of skills, knowledge and experience on the Board, defining the roles and capabilities required of the candidates to fill each vacancy, and deciding the time and dedication necessary for them to properly perform their duties. Any Director may suggest Directorship candidates to the Appointments and Remuneration Committee for its consideration to cover 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 the handover proceeds in a planned and orderly manner.

c) Proposing the appointment and re-appointment of independent Directors and advising on proposals for the appointment and re-appointment of the other Directors.

d) Advising on proposals to maintain independent Directors in their positions after 12 years and advising on proposals for the removal of independent Directors, in accordance with Article 20.3.

e) Advising on the appointment and removal of senior managers proposed to the Board by the chief executive, and proposing the candidates for senior executive positions in the Company, in addition to those envisaged in Article 2.2 of these

Rules, and making the proposals for reprimands envisaged in Article 20.2. d) of these Rules. 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 and reported to the Board of Directors in each case.

f) Overseeing compliance with the Company's remuneration policy and, in particular, proposing to the Board of Directors the remuneration policy for directors and senior managers, the remuneration of the executive directors and the other conditions of their contracts, and the basic conditions for the contracts for senior managers, advising and proposing on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares. It may also propose to the Board of Directors the distribution among the Directors of the remuneration arising from their membership of the Board that is resolved by the General Meeting of Shareholders, pursuant to the provisions in the Corporate Bylaws and in these Rules.

g) Preparing and maintaining a record of the status of Directors and senior executives of FCC.

h) 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 the Annual Corporate Governance Report must disclose the reason why there are few or no female Directors and the initiatives adopted to correct this situation.

i) Advising on the proposed appointment of members of the Board of Directors Committees..

j) Advising on the appointment and removal of the Secretary of the Board.

k) Verifying the qualifications of the Directors under Article 6.4.

l) Receiving the information provided by Directors under Article 24.2 of these Rules.

m) Advising, as the case may be, on any professional or commercial transactions referred to in Article 25.3 of these Rules.

n) Advising on the use, for the benefit of a Director, of business opportunities or assets of FCC which have been previously studied and ruled out by the FCC Group, as referred to in Article 27.1 and 27.3 of these Rules

o) Receiving and keeping in custody the registration of situations mentioned in section e) above and the personal information furnished by the Directors, as established in article 29 of these Rules.

p) Requesting, as the case may be, the inclusion of items on the Agenda of Board meetings, under the conditions and in the terms provided in article 38.3 of these Rules.

When dealing with matters referring to the Executive Directors and Senior Managers, the Appointments and Remuneration Committee will consult with the Chairman and the Chief Executive of the Company.

4. The Appointments and Remuneration Committee will regulate its own operations to the extent that they are not regulated in the Bylaws and these Rules, whose provisions relating to the operation of the Board of Directors will apply specifically insofar as this is possible considering the nature and functions of the Committee.

5. The Appointments and Remuneration Committee will have access to all of the documentation and information needed to perform its functions. The members of the Appointments and Remuneration Committee may be assisted during their meetings by up to two advisers per Committee member, as required. Such advisors may attend meetings but not vote, and the provisions of Article 31 of these Rules will apply to them.

6. The Committee will meet periodically, at least once per quarter, and when convened by the Chairman or requested by two Committee members. On a yearly basis, the Committee will draft an action plan for the coming year which it will submit to the Board.

In the absence of the Chairman of the Appointments and Remuneration Committee, or if the position becomes vacant, the Committee may be convened by the member of greatest seniority or, if there is equal seniority between members, by the oldest one. In the event of legal persons, the age of the individual representing them will be taken into account.

7. Discussions will be directed by the Chairman, who will give the floor to the attendants wishing to speak.

In the absence of the Chairman of the Appointments and Remuneration Committee, or if the position becomes vacant, his/her functions will be performed by the Director chosen for such purpose by a majority of those attending the meeting."

Strategy Committee

This Committee is governed by Article 43 of the Rules of the Board of Directors.

"1.[...] It shall be made up by the Directors appointed by the Board of Directors for a period not to exceed their terms as Directors, notwithstanding the possibility that they may be re-appointed indefinitely to the extent that they are also re-appointed as Directors. The majority of the members of the Strategy Committee will be external Directors.

2. The Strategy Committee will choose a Chairman from among its non-executive members. The Committee will also designate a Secretary, who need not be a member of the Committee, to aid 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.

3. The members of the Strategy Committee will step down from the Committee when they cease to be directors or when it is decided by the Board."

4. It is a function of the Strategy Committee to assist the Board of Directors in determining the Group's strategy based on the guidelines set out by the Board, preparing such reports and motions as may be necessary.

5. In particular, the Strategy Committee will inform the Board of proposals regarding investments, divestments, agreements of Association with third parties, development of new lines of business and financial transactions which, because of their relevance, in the opinion of the Board may affect the Group's strategy; it will also inform the Board of any other matters which it may submit because they are not allocated to any of the other Committees.

6. To perform its functions optimally, the Strategy Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Rules will apply.

7. The members of the Strategy Committee may be assisted during their meetings by up to two advisers per Committee member, as required. These advisers may speak at the meetings but may not vote.

8. The Strategy Committee will meet periodically and as convened by the Chairman or requested by two Committee members. On a yearly basis, the Committee will draft an action plan for the coming year which it will submit to the Board.

In the absence of the Chairman of the Strategy Committee, or if the position becomes vacant, the Committee may be convened by the member of greatest seniority or, if there is equal seniority between members, by the oldest one. In the event of legal persons, the age of the individual representing them will be taken into account.

9. Discussions will be directed by the Chairman, who will give the floor to the attendants wishing to speak.

In the absence of the Chairman of the Appointments and Remuneration Committee, or if the position becomes vacant, his functions will be performed by the Director chosen for such purpose by a majority of those attending the meeting.

10. The minutes of each Committee meeting will be drafted and signed by the Committee members in attendance.

11. Any member of the Company's management team or personnel who is asked to attend the Strategy Committee's meetings will be obliged to attend, collaborate and provide the information at his/her disposal.

12. The Strategy Committee will have access to all of the documentation and information needed to perform its functions.

13. The Strategy Committee will regulate its own operations to the extent that they are not regulated in these Rules and in the Bylaws, whose provisions relating to the operations of the Board of Directors will apply specifically insofar this is possible considering the nature and functions of the Committee."

C.2.5. Indicate, as the case may be, whether the Board Committees are regulated, where the regulations are available to be queried, and any amendments made during the year. Also, indicate if an annual report on each Committee's activities has been drafted voluntarily.

The Rules of the Board, amended on 10 April 2013, regulates in its articles the functioning of the various Board Committees: Executive Commission (Article 40), Audit and Control Committee (Article 41), Appointments and Remuneration Committee (Article 42), and Strategy Committee (Article 43).

Pursuant to article 38.6 of the Rules of the Board, "the Board in full session will dedicate the first of its meetings in the year to evaluate the quality and efficiency of its own performance during the previous year, valuing the quality of its work, evaluating the efficacy of its rules and, where applicable, correcting aspects found to be dysfunctional. Also, based on a report drawn up by the Appointments and Remuneration Committee, that meeting will assess the performance of the Chairman of the Board and the Company's chief executive, and the performance of the Committees on the basis of the reports issued by them."

Regarding the self-evaluation of the Board and of its Committees, see section C.1.20 herein.

C.2.6. State whether the Steering Committee's composition reflects the composition of the Board in terms of director type:

Yes	No [X]

If not, detail the composition of the Delegated or Executive Commission
The Executive Commission is made up by 75% of External Directors and 25% of Executive Directors, whereas the Board of Directors has 85.7% of External Directors and 14.3% of Executive Directors. The Board of Directors has six Independent Directors, of which none are members of the Executive Commission.

D. RELATED PARTY AND INTRA-GROUP TRANSACTIONS

D.1. Identify the body authorised to approve related party and intra-group transactions and the procedure for such approval.

Body authorised to approve related-party transactions

The authorised body is the Board of Directors via the Appointments and Remuneration Committee.

Article 25 of the Rules of the Board of Directors establishes that:

"1. Directors must refrain from attending and taking part in the discussions affecting related-party transactions and generally matters in which they may be directly or indirectly involved, and from voting on the corresponding decisions, and they must not delegate their vote and leave the assembly room while the Board discusses the matter and votes.

An indirect interest on the part of the Director is considered to exist when that matter affects a related party.

2. Directors must give due advance notice to the Board, via the Corporate Responsibility Department or any other that takes its place, of any situation that may give rise to a conflict of interest with the Company or any of the companies in the FCC group of companies or their related companies.

3. In the following cases, the prior written consent of the Board of Directors of FCC, which may not be delegated, based on a favourable report from the Appointments and Remuneration Committee, will be required:

a) Provision by a Director or a related party to companies of the FCC Group of professional services other than those deriving from Executive Directors' employment relationship.

b) Sale or disposal by any other means, for good and valuable consideration of any type of supplies, materials, goods or rights in general by a Director, significant shareholder or shareholder represented on the Board, or their related parties, to companies of the FCC Group.

c) Transfer of supplies, materials, goods or rights in general outside the seller's normal course of business by a company of the FCC Group to a Director, significant shareholder or shareholder represented on the Board, or their related parties

d) Provision of works or services or the sale of materials by companies of the FCC Group to a Director, significant shareholder or shareholder represented on the Board, or their related parties, in the normal course of the former's business, at lower than market prices.

The request for authorisation will be submitted to the Corporate Responsibility Department, which will in turn ask the FCC area involved for a report, which will subsequently be sent together with the application to the Appointments and Remuneration Committee.

4. The authorisation referred to in the item above will not be necessary for related-party transactions that fulfil all of the following three conditions:

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 supplying the goods or services.

c) Their amount is not more than 1% of the Company's annual revenues.

5. In any event, all material transactions of any kind between Directors and FCC, its subsidiaries or associated companies must be disclosed in the Annual Corporate Governance Report. This obligation extends to material transactions between the Company and its significant shareholders (direct and indirect).

6. For the purpose of the provision herein, related parties will be deemed to be those included in article 231 of the Capital Companies Act."

Procedure for approving related-party transactions
-

Explain whether the approval of related-party transactions has been delegated, stating the body or persons to whom it has been delegated, as the case may be.

This has not been delegated.

D.2. Detail any significant transactions involving a transfer of funds or liabilities between the Company or subsidiaries in its group and significant shareholders of the Company:

Name or company name of significant shareholder	Name of group company or entity	Nature of relationship	Type of transaction	Amount (thousand euros)
-	-	-	-	-

D.3. Detail any transactions involving a transfer of funds or liabilities between the Company or subsidiaries in its group and directors or executives of the Company:

Name or company name of the directors or executives	Name or company name of the related party	Relation	Nature of the transaction	Amount (thousand euros)
-	-	-	-	-

D.4. Detail the significant transactions between the Company and other companies in the group, except those that are eliminated in consolidation or do not form part of the Company's normal operations with regard to their purpose and conditions:

In any event, any intra-group transactions with entities established in countries or territories deemed to be tax havens must be reported:

Name of group entity	Brief description of transaction	Amount (thousand euros)
-	-	-

Note:
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. Indicate the amount of the transactions with related parties.

D.6. Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or the group and its directors, executives or significant shareholders.

Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or the group and its directors, executives or significant shareholders.

Article 25.2, 25.3, 25.4, 25.5 and 25.6 of the Rules of the Board of Directors establishes that Directors must give due advance notice to the Board, via the Corporate Responsibility Department or any other that takes its place, of any situation that may give rise to a conflict of interest with the Company or any of the companies in the FCC group of companies or their related companies.

According to Article 25.3, "the prior express authorisation of the Board of FCC will be required without this being delegable, following a favourable report by the Appointments and Remuneration Committee, for the following cases:

a. Provision by a Director or a related party to companies of the FCC Group of professional services other than those deriving from Executive Directors' employment relationship.

b. Sale or disposal by any other means, for good and valuable consideration of any type of supplies, materials, goods or rights in general by a Director, significant shareholder or shareholder represented on the Board, or their related parties, to companies of the FCC Group.

c. Transfer of supplies, materials, goods or rights in general outside the seller's normal course of business by a company of the FCC Group to a Director, significant shareholder or shareholder represented on the Board, or their related parties.

d. Provision of works or services or the sale of materials by companies of the FCC Group to a Director, significant shareholder or shareholder represented on the Board, or their related parties, in the normal course of the former's business, at lower than market prices.

According to articles 25.4 and 25.5:

"4. The authorisation referred to in the preceding item will not be necessary for related-party transactions that fulfil all of the following three conditions:

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 supplying the goods or services.

c) Their amount is not more than 1% of the Company's annual revenues.

5. In any event, all material transactions of any kind between Directors and FCC, its subsidiaries or associated companies must be disclosed in the Annual Corporate Governance Report. This obligation extends to material transactions between the Company and its significant shareholders (direct and indirect).

Under Article 25.1, "An indirect interest on the part of the Director is likewise considered to exist when that matter affects a related party."

D.7. Is more than one Group company listed in Spain?

Yes [X]	No

Identify the subsidiaries that are listed in Spain:

Listed subsidiaries
Cementos Portland Valderrivas, S.A.

Has a public definition been established describing precisely the respective business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies?

Yes	No [X]

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 conflicts of interest
-

E. RISK CONTROL SYSTEMS

E.1. Explain the scope of the Company's Risk Management System.

FCC Group is currently in the midst of an improvement and evolution process of its comprehensive risk management policy, which is gradually being extended, that will enable it in the near future to significantly enhance the mitigation of impacts that might lead to deviations and non-compliance with its financial and business strategy. This new model will allow the Group to anticipate the materialisation of the possible risks to which its business is exposed, by operating in different geographic areas, activities and legal environments which in turn entail different risk levels suited to the activities in which it develops its operations. During the year 2015, significant progress in the implementation of said Model is expected.

As of today and during the year 2014, the new Model that has been partially implemented to date, allows the development of a high level Risk Map, using the Enterprise Risk Management (Coso II) methodology which provides management with valuable information and contributes to the definition of FCC Group's strategy.

FCC Group's risk management approach is consistent with its business strategy, seeking the maximum efficiency and solvency at all times, for which purpose it has established strict criteria for the control and management of financial risks, consisting of identifying, measuring, analysing and controlling the risks incurred in the Group's operations, so that ultimately the risk policy is appropriately integrated within the Group's organisation.

Given the singularity of each of FCC Group's business areas, the risk management is carried out in each of the areas, drawing up a risk map in each of them and, subsequently, based on the information that is reported, FCC Group's consolidated risk map is drawn up.

By way of this model, partially during 2014, risk management takes place in each of the business areas, via:

- The identification of key risks for FCC Group based on their potential threat to achieving the organisation's objectives, at the level of each of the business areas.
- Evaluating risks. The risk evaluation scales are defined in terms of the potential impact they could have if they were to materialise and the likelihood that they will occur.
- The identification of the controls and procedures to mitigate the economic impact of the risks and the likelihood of their occurrence.
- The identification of a proprietor for each of the identified risks, as the first person in charge of keeping the adequate level of internal control.

The identification of a proprietor for each of the identified risks, as the first person in charge of keeping the adequate level of internal control.

The results of the Continuous Risk Management are communicated to the Audit and Control Committee, the highest body in charge of supervising the management of the Group's Risks, as set out in the Group's Rules of the Board of Directors.

During 2014, with the goal of ensuring compliance with the best practice available in the field (COSO II ERM), FCC Group's Internal Audit and Risk Management Department has supervised the work performed by the different business areas in the stages of the implementation process of the model related to risk identification and evaluation, as well as to the suitable identification of the existing control activities and the identification of the most effective risk materialisation indicators.

During 2015, progressing in the implementation process of the model, for the risks exceeding the accepted risk level for each of the sectors of activity the necessary action plans will be established, with the required corrective measures, to make sure their critical levels are within the Accepted Risk values. These action plans will include the necessary measures to reinforce existing controls and may even incorporate new risk controls.

Additionally, work will be done to update the specific procedures to carry out the risk management in each of the business areas, so as to ensure both their compliance with the model and their active involvement in any decision-making process within the organisation.

In this way, once all the expected improvements of the model are completed, the policy will allow FCC Group to:

- Take steps to prevent the materialisation (probability of occurrence) or to minimise their economic impact, by identifying the key risks in advance, whenever an area where internal control may be enhanced is identified.
- Relate the goals sought by the Group both with the risks that could prevent the execution thereof and with the necessary control activities to prevent the materialisation or to minimise the economic impact if the risks materialise.
- Ensure that the legal regulations in force are fulfilled, as well as the Group's rules and internal procedures.
- Review that the processes for preparing financial reports are suitable to ensure the reliability and integrity of said information.
- The safeguarding of assets.

In keeping with the best business practices in this field and applying the Coso II methodology, the Group has classified its risks as follows:

- **Strategic risks:** These are the key risks related to the Group's strategy and hence managed on a priority basis. These risks are related to the markets/ countries/sectors where the FCC Group operates. Also included in this category are reputational, innovation and financial planning risks.

- **Operating risks:** These risks are related to operations management and the value chain of each one of the business areas where the FCC Group operates. They include the risks related to tender and contracting processes, selection of partners, subcontractors and suppliers, human resource management and ongoing personnel training.

- **Compliance risks:** These are the risks affecting internal and external regulatory compliance, including those relative to the compliance with the code of ethics of the FCC Group, compliance with applicable laws regarding legal (since 2010 the criminal code includes articles whereby criminal liabilities may arise for legal persons), fiscal, ICFR, data protection, quality, environmental, information security and occupational risk prevention matters.

- **Financial risks:** Risks associated with the financial markets and with the generation and management of cash. Financial risks include those related to liquidity, cash management, the access to financial markets, exchange rates and interest rates.

During 2014 reporting risks were included within the operating and strategic risks category. However, given their singularity and how important it is for FCC Group to adequately control this kind of risks, during the year 2015 reporting risks will be identified as an independent category in the Risk Maps. They shall refer to the risks associated to the reliability of the financial reports generated in the businesses and consolidated by FCC Group's parent company, and they include both the risks related to the generation of information and those related to the management thereof throughout the organisation.

E.2. **Identify the company bodies in charge of drawing up and executing the Risk Management System:**

- **Steering Committee**

The Board may permanently delegate in the Steering Committee all the powers of the Board of Directors with the exception of those which are reserved by law, the bylaws or its regulations for the Board. Like the plenary Board, the Committee ensures that FCC Group's organisation structure, planning systems and management processes are designed to deal effectively with the different risks to which FCC Group's business is exposed.

- **Audit and Control Committee**

According to article 41 of Rules of the Board and as established in Recommendation 50 of the Unified Code of Corporate Governance for Listed Companies, the principal function of the Audit and Control Committee is to support the Board of Directors in its supervisory and oversight efforts, particularly with regard to risk management and control policies, the monitoring of the Risk Maps and the action plans needed to mitigate the most relevant risks that are identified, and lastly the supervision of the Company's internal audit services.

- **Strategy Committee**

The Strategy Committee supports the Board of Directors in determining the Group's strategy based on the guidelines agreed by the Board, preparing the corresponding reports and proposed agreements in this regard. Accordingly, it is responsible for ensuring that the objectives of the strategic plan can be achieved by the Company, assuming an acceptable level of controlled risk so as to protect the interests of shareholders, other stakeholders and society in general, as well as the Group's reputation.

- **Management Committee**

During 2014 the Management Committee has been chaired by the Second vice-President and CEO of FCC Group and made up by all the members assigned to the Committee by the plenary Board of Directors. Its functions regarding the financial reporting internal control systems include, among others, reviewing FCC Group's consolidated financial reports on a monthly basis, especially when the information must be reported to the CNMV. The Group's Management Committee was replaced as from 13 January 2015 by business area management committees and by a central services coordination committee.

- **Response Committee**

El Comité de Dirección ha estado presidido durante 2014 por el vicepresidente This committee is in charge of supervising the adequate functioning of the Whistleblowing Channel, assessing possible improvements of the controls and systems established in the Company, processing communications in order to solve them, encouraging knowledge of the Code of Ethics and regularly drawing up reports on the level of compliance therewith. It may establish corrective actions and, if it considers it necessary, penalties.

- **Risk Committee of each one of the business areas**

Currently, the risk committees are included in the committees held by each of the business areas, and it will become fully operational when the implementation of the Comprehensive Risk Management Model process finishes.

E.3. Point out the main risks that may affect the attainment of the business goals.

Strategic risks

a) **FCC Group's substantial borrowing could negatively affect its financial situation.**

(i) **FCC Group's borrowings.**

FCC Group has substantial borrowings, fundamentally as a result of the refinancing agreements and other additional financing arrangements. Said borrowings could increase due to a number of reasons, including fluctuations in operating profit or loss, capital expenditure, working capital requirements and potential acquisitions or temporary trade associations.

FCC Group's financing agreements include financial ratios and other restrictive covenants that limit its capacity to carry out activities that might benefit its long-term interests, to pay dividends or to invest in new projects. If FCC Group does not comply with those covenants or does not service its debt (including compliance with the financial ratios as defined in the agreements), it could breach its financing agreements. Said breach, if it is not remedied or dispensed, could lead to an accelerated repayment of all the debt under the corresponding financing agreement. Under certain circumstances, should an event of breach occur, the debt under the financing agreement that entered into force in June 2014 may partially be converted into new FCC shares.

On the other hand, FCC Group's financing agreements include obligatory clauses establishing the full early repayment that might be triggered by certain events, for instance, among others, a change of control. They also include obligatory clauses establishing partial early repayment. Pursuant to said clauses, the funds originating from certain capital increases and insurance indemnity, as well as from cash flow surpluses, must be used for the early repayment of FCC Group's financial debt.

It should also be noted that the refinancing agreement that entered into force in June 2014 includes restrictions on certain types of fund transfers for the parties to that agreement. The project finance agreements likewise establish limitations on the use and transfer of funds as long as the debt service has not been fulfilled and as long as certain undertakings under those agreements have not been met.

(ii) **Peculiarities of Cementos Portland Valderrivas Group's borrowings.**

As part of FCC Group's debt mentioned above, Cementos Portland Valderrivas, S.A. must comply with a number of financial ratios by virtue of the syndicated refinancing agreement entered into on 31 July 2012. These ratios are based on the costs of the consolidated Cementos Portland Valderrivas subgroup (excluding the Giant Cement Holding, Inc. subgroup) and they are co-related to its net financial debt level and its net financial expenditure in respect of EBITDA, as well as to its CAPEX ceiling.

Notwithstanding the 'without recourse to FCC' nature of Cementos Portland Valderrivas subgroup's debt, as party to Cementos Portland Valderrivas, S.A.'s syndicated refinancing agreement, FCC entered into an Agreement called "CPV Support Agreement," whereby it was agreed to contribute up to a maximum of 200 million euros if certain events occurred in relation to Cementos Portland Valderrivas, S.A.'s minimum EBITDA obligations.

Since Cementos Portland Valderrivas, S.A. has not complied with the EBITDA levels provided in the "CPV Support Agreement," FCC is liable since 10 October 2014 for the payment of up to 200 million euros pursuant to the above-mentioned "CPV Support Agreement", although said payment has been deferred and it is governed by the same terms and conditions of FCC Group's refinancing agreement which entered into force on 26 June 2014.

Additionally, in the event of non-compliance with certain financial ratios, the lender entities of Cementos Portland Valderrivas, S.A. (which hold a 66.66% majority stake) may demand the early repayment of the financing that was granted.

(iii) **Lenders may seek the early repayment of the debt.**

Some of FCC's lenders could interpret that the terms of the New Restructuring Framework Agreement or that FCC has been subject to an event of obligatory winding-up, give rise to a breach of contract or to an early repayment according to the terms and conditions of some of the agreements regulating part of FCC's existing debt. As a consequence, they could seek the early maturity of the debt involved or threaten to do so. FCC was recently notified by the advisors of a small group of lenders, including holders of the FCC convertible bond, stating that they might take legal action to declare non-compliance in relation to the debt of which they are holders. Any attempt to declare the early maturity of some of FCC's debt could generate negative publicity for FCC Group, regardless of the outcome. If all or a material part of FCC's debt is declared to be due early, FCC might not obtain the necessary liquidity to meet the required payments.

b) **Adjustments due to impairment and provisions could have a significant negative effect on FCC Group's business and finances.**

A significant impairment of the cash flows supporting FCC Group' goodwill would have a negative impact on FCC Group's income statement, by recognising impairment adjustments in the corresponding goodwill, and on its balance sheet and equity, due to the subsequent reduction of the corresponding book values. This in turn could have other indirect negative effects, such as the difficulty in complying with the existing commitments under the financing agreements, or the non-renewal thereof or the non-obtainment of new financing.

c) **FCC Group is exposed to risks in relation to deferred tax assets.**

In principle, the cumulative losses incurred by FCC Group in prior years may be used to offset future profits subject to taxation. These deferred tax assets show the amount of the tax losses that FCC Group expects to be able to use, as well as the deferred tax assets that it expects to recover in the future. A change of FCC's expectations on its capacity to use deferred tax assets in the future (whether because of a change in the rule such as to eliminate or limit the right to offset deferred tax assets or a change in FCC Group's strategic plans or in its expected future profits) may cause an impairment of the value of those assets, which could negatively affect the results of FCC's operations.

d) **FCC Group's working capital requirements are highly seasonal and require it to maintain high liquidity levels.**

FCC Group's cash requirements are very seasonal. Its cash requirements are higher in the summer and they are lower in the fourth quarter, when FCC Group receives payments from many of its public sector clients, particularly in November and December.

The only bilateral credit facilities available under the Financing Agreement that could be used to provide FCC Group with working capital are factoring, leasing and confirming, and these will be available only throughout the term of the Financing Agreement.

As long as the Financing Agreement is in force, FCC Group will be subject to limitations for further borrowing. Thus, under certain circumstances, FCC Group may open up new credit facilities provided that the new aggregate debt does not exceed a ceiling of 50 million euros.

On the other hand, the increase of seasonality in FCC Group's business which cannot be managed by extending the credit facilities or other sources of liquidity could have a negative impact on FCC Group's liquidity and on its capacity to meet its working capital requirements.

e) **FCC Group is required to furnish performance bonds or similar instruments.**

In project-related business, FCC Group is required to furnish performance bonds or other similar instruments to ensure the timely compliance with its contractual obligations. If FCC Group does not manage to have those bonds granted by financial institutions under terms acceptable for its clients, it cannot submit its bid to take part in a project or, as the case may be, it may have to incur larger financial costs to obtain the necessary guarantees or bonds.

f) **FCC Group cannot ensure that its cost control programme will yield the expected results.**

The cost control programme implemented by FCC Group as from 1 March 2013 affects each and every one of its business areas and it is based on the compliance with a number of objectives including

(i) staff cuts (both in operations and ancillary services personnel) that significantly affect the Construction and Cement areas, with the object of adapting said personnel to the current conditions of the Spanish market;
(ii) reorganisation of the Environmental Services area (mainly outside Spain) and the Water area with the purpose of simplifying the staff structure;
(iii) implementation of new operating procedures to improve the efficiency of the contracts in the Environmental Services and Water areas;
(iv) elimination of non-profitable business in the Cement area;
(v) reduction of the cost of facilities as a result of staff relocation and less space used;
(vi) other ad hoc measures.

These measures have led and may lead in the future to substantial cost restructuring. FCC Group, however, cannot ensure that its cost savings programme will yield the expected profits and returns.

g) **The staff cuts that FCC Group has carried out to adapt to market demands may negatively affect its business development.**

FCC Group has reduced its headcount as a result of the cost restructuring plan. Since 2013, FCC Group has gradually reduced the number of its employees in order to meet current market demands, adopting for such purpose several types of restructuring measures including the redundancy measures in the Construction area that will end in 2015.

However, the layoff or early retirement of staff could negatively affect the future development of FCC Group's business, including its capacity to take advantage of new opportunities and maintaining sufficient professional expertise to develop planned activities.

In this regard, FCC Group has developed, in the Spanish territory, a project for the modernisation of the information and human resources management system, integrating all the information in a single, unique global database for the whole Group, with the purpose of supporting and facilitating that human resources management.

That project also includes an IT tool running under SAP, to design and implement the payrolls of all FCC Group's companies in Spain, thereby improving the security, quality and homogenisation thereof.

h) **FCC Group could come across difficulties for the implementation of its international growth strategy.**

In spite of FCC Group's growing international presence, it continues to carry out most of its activities in Spain. Since at present FCC Group generates over half of its revenues in Spain, it remains exposed to a certain degree of concentration risk in respect of the Spanish economy. One of the goals of FCC Group's international diversification strategy, contemplated in its Strategic Plan, is to mitigate that risk by reducing the scope of its exposure to one national economy. Insofar as FCC Group is not capable of implementing its diversification strategy it will not be able to reduce its exposure to the Spanish economy.

i) **FCC Group's international operations imply additional risks; the exposure to said risks will rise as its international operations grow.**

FCC Group expects to continue facing current and additional risks in international operations in the various jurisdictions where it operates. These risks may include difficulties in terms of managing personnel and the operations involved due to distance, time zones, language and cultural differences, difficulty finding local partners, hiring and training new personnel speaking the local language and with knowledge of the market, and difficulties for the correct implementation of our internal control policy and procedures in all the countries in which we operate. If FCC Group is unable to effectively mitigate or eliminate those risks, the results of its operations could be materially and negatively affected.

j) **The impairment of Spanish and global economic conditions could negatively affect FCC Group's business.**

FCC Group's business returns have been closely linked in the past, and are expected to continue to be so to a certain extent in the future, to the economic cycle of the countries, regions and cities in which it operates. Normally, sound economic growth in the areas where FCC Group operates leads to greater demand for its services and products, whereas slower growth or a contraction of the economy reduces demand.

The global economy has been significantly impaired over the last few years as a result of a severe financial and liquidity crisis. Said crisis has had a global impact, affecting both emerging and western economies. The crisis has affected several markets in which FCC Group develops a substantial part of its operations, including the Spanish market.

If the Spanish economy and that of other markets in which FCC Group operates stagnates or even contracts, FCC Group's business could be negatively affected as a consequence of the delay or even abandonment of potential projects on the part of FCC Group's clients, both in the private and public sectors, as well as due to a reduction of construction activities and a fall in the demand of construction materials. Also, for projects in which the infrastructures are owned by public administrations but are administrated and exploited by FCC Group, the Group's operating costs could increase if said administrations do not make the necessary investments for the adequate maintenance and renewal of the facilities. In periods of economic contraction, the authorities are more than likely to be reluctant to incur these types of expenses.

k) **FCC Group's international operations could be affected due to economic, social and political uncertainty.**

FCC Group carries out its activities in various jurisdictions and in the future it might expand its activities to new countries.

If FCC Group decides to enter new markets, it could be difficult to identify and adequately evaluate the risks present in each one of them until it gathers sufficient experience in each of these new markets. The revenues and fair value of FCC Group's international affiliates, as well as the dividends that may be generated through said affiliates, are exposed to the risks inherent to the countries where they operate. The economies of these countries are in different stages of political and socio-economic development. As a consequence, just like many other companies with a significant number of international operations, FCC Group is exposed to various risks in relation to business and activities outside its own jurisdiction. These risks may include:

- The influence of national governments on the economy;
- Fluctuations in the growth of the local economy;
- High inflation;
- Devaluation, depreciation or excess revaluation of local currencies;
- Foreign exchange controls or restrictions for repatriating profits;
- A changing interest rate environment;
- Changes in financial, economic and fiscal policies;
- Political, legal, regulatory and macroeconomic instability; and
- In some regions, the possibility of social unrest, terrorist acts and war.

Operating risks

a) **Public administrations may unilaterally modify or terminate certain contracts before they are fully executed. The compensation for FCC Group in such cases might not be sufficient to cover the damage caused, aside from the fact that it might be hard to collect that compensation.**

In Spain, as a general rule, if a public administration that has granted a concession linked to FCC Group's main activity, decides to terminate the concession or recover the control over it prior to the end of the concession period, said public administration would be obliged to compensate FCC Group for all the profits that FCC Group should have received until the end of the corresponding concession period. However, in most of the concession agreements to which FCC Group is party, in the above-mentioned cases it is only entitled to recover the costs actually incurred or committed, the administration costs and the profits from the work completed up until the termination of the concession agreement.

Depending on the jurisdiction and specific circumstances, the public administration may unilaterally terminate its concession agreement with FCC Group without paying any compensation and, particularly in Spain, FCC Group's capacity to recover the profits is conditional upon whether the event of termination may be attributed to FCC Group or otherwise. Even when compensation is requested, it may be insufficient to cover the damages caused to FCC and, in particular, the loss of profit as a result of the termination of the concession agreement. If FCC Group is not capable of replacing the terminated agreements with others, it could suffer a decline of its revenues.

Regardless of the nature and the amount of the compensation owed to FCC Group by virtue of a concession agreement terminated by the corresponding public administration, FCC Group might need to resort to legal action or arbitration proceedings to collect it, which would increase its expenses and delay the collection of the amounts the group is owed.

Additionally, during the life of a concession, the relevant public administration could unilaterally impose restrictions or amendments of the rate agreed and imposed upon end users.

b) **The economic situation has entailed a decline of public administration tax revenues, generating a reduction of the investment in sectors such as concessions or infrastructures.**

The context of economic instability and financial crisis in Spain and in other countries has entailed a decline in the fiscal revenues of public administrations, which in turn has entailed a reduction of public expenditure in certain areas of activity, including in this respect the concession, infrastructure and construction projects in which FCC Group operates.

Aside from general budgetary considerations, many of FCC Group's clients, including the public administrations, are continuously seeking cost savings and efficiency improvements. These and other factors could lead to our clients reducing their budgets for expenditure in FCC Group products and services, which would negatively affect FCC Group's results and financial position.

c) **Certain municipalities could decide to manage the services currently provided by FCC Group.**

Urban services are affected by the decisions of current or future local governments. In certain cases, said decisions could lead to the municipal management of the services that are currently provided by private companies. In particular in the case of FCC Group, municipal management could affect the Environmental Services and Water business areas, depriving them of future business.

d) **FCC Group's design and construction activities expose it to certain risks, including economic loss and liability for third-party actions.**

In the Environmental Services, Water and Construction business areas, FCC Group develops 'turnkey' design-construction contracts that are remunerated based on a fixed price. The fact that the price of a 'turnkey' contract may be revised can vary depending on the jurisdiction. For instance, internationally the price of 'turnkey' contracts is not revised. On the other hand, in Spain historically it has been possible to revise the terms of that type of contracts, although over recent years, there is increased resistance to review the terms of contracts. In many cases, profits are conditional upon the compliance with the execution goals, such that the non-attainment of those goals entails the imposition of contractual penalties.

These kinds of contracts expose FCC Group to technical, operating and economic risks, and FCC Group cannot ensure that the contractual measures adopted to mitigate these risks will be effective. Also, FCC Group could have to face difficulties that are fully beyond its control, for instance, the complexity of certain infrastructure, weather or economic risks or contingencies in the construction, acquisition and orders of equipment and supplies of goods, or changes in execution deadlines.

In some cases, FCC Group has to integrate existing information or studies provided by the client into its project planning, even though they may be inexact or incorrect. Also, sometimes the project requires the use of existing infrastructure with deficient operating characteristics. These difficulties and risks may lead to non-compliance with the contractual performance indicators, added expenses, loss of revenue or contractual penalties.

On the other hand, to execute its projects in all of its business areas, particularly in the Water and Construction areas, FCC Group relies on subcontractors and suppliers that FCC Group is generally entitled to make claims if they do not comply with their contracts. However, if a subcontractor or supplier files for bankruptcy or unexpectedly ceases its activity, that non-compliance could cause delay s and subject FCC Group to relevant additional costs, which in many cases could not be fully or partially recovered. The evaluation and selection process to which FCC Group submits its potential subcontractors and suppliers might be inadequate for identifying those with unacceptable risk levels.

All of the foregoing could negatively affect FCC Group's results and financial position.

e) **FCC Group carries out its activities via long-term contracts that may diminish its capacity to react rapidly and satisfactorily to new unfavourable financial situations.**

The initial circumstances or conditions in which FCC Group signs a contract may vary over time, and said change may have a negative impact on FCC Group's results and financial situation. These changes vary in nature and they might not be easy to predict. FCC Group cannot ensure the effectivity of certain contractual measures, such as price-indexing clauses, which may be used to face those changes and restore the initial economic balance of the contract. As a consequence, FCC Group may be unable to adapt the remuneration to be collected from those contracts so that it may offset the changes in terms of costs or demand, regardless of whether that remuneration consists of a price paid by the client or a fee imposed upon end users based on an agreed scale.

Said limitations are worsened by the long-term nature of many of FCC Group's contracts. In this type of contracts, particularly in the case of public service management contracts, FCC Group is obliged to ensure the continuation of service, without being able to unilaterally terminate a contract even if considers that it yields no profits, and neither may it change its characteristics, except in certain circumstances, in the event of a visible infringement or breach by the client. Additionally, the new Bill for the De-indexation of the Spanish Economy, which establishes that the prices of public service management contracts are to be updated according to the evolution of costs instead of according to the Consumer Price Index (CPI), could have a negative impact on FCC Group's business, especially in the Environmental Services area, if each Town Council is free to decide how to apply it.

f) **FCC Group's payment capacity is related to the payment capacity if its clients.**

FCC Group's liquidity risk is mainly attributed to its receivables and it is therefore related to the Group's exposure to its clients' credit risk. In this connection, the most relevant risk is that not enough income is generated to be able to meet its payments. This collection risk may in turn be divided into two classes, according to client type:

(i) collections from public administrations, mainly in the Environmental Services business area; and
(ii) collections from industrial and commercial clients. The risk in relation to public administration clients is mainly that of delayed payments, which may hamper the Group's liquidity. FCC Group cannot ensure that public administrations will continue or increase any type of stimulus packages or that the Spanish

government will eliminate or reduce any measures currently in force. However, if the Spanish economy contracts again, there could be a new increase of the payment period for public administrations. On the other hand, the risk with commercial clients is that of delayed payments and, in extreme cases, that they may become insolvent before FCC Group has been able to collect all the amounts owed by that client at the time. Also, expense reductions carried out by FCC Group client, the fact that fewer construction projects are performed and an increased risk of clients' insolvency, are other examples of general risks that FCC Group may experience.

To manage said risk, FCC Group has adopted a number of measures, but it cannot ensure that the measures adopted are the most adequate to protect itself against the possible risks related to trade debts, or that said measures will be able to effectively mitigate the adverse effects of those risks. If clients do not pay the amounts that FCC Group is counting on to meet its financial obligations, or is the payment thereof is delayed, FCC Group would have to find an alternative source of financing. And if it cannot find it, FCC Group would be exposed to the risk of not meeting its payment obligations, which could affect its financial situation.

g) **The decline in the acquisition of goods and services or the delay of projects, both in the public and the private sector, may negatively affect FCC Group's results.**

Current economic conditions have led to a decline in acquisitions of goods and services by public administrations and companies in the private sector. Some of the latter could decide to halt the projects that are currently under development due to the lack of funds, or delay or abandon studies of potential projects until more favourable investment conditions arrive. Although the normal procedure in the private sector is for payment to take place gradually as the work is executed, FCC Group is exposed to losing revenue if the work is delayed.

On the other hand, the financial limitations of public administrations could force some municipalities to reduce their budgets, which in turn could reduce the funds earmarked for the maintenance or renewal of existing infrastructures or it could affect the scope and calendar of projects that are pending. Any resulting public expenditure deficits could have a significant effect on FCC Group's Environmental Services, Water and Construction business areas. Also, the Cement area could be affected indirectly by the reduction of the construction budgets of public administrations. Public expenditure reductions could cause FCC Group to have to assume additional investments to maintain its business operations in the way it had planned (for instance, water treatment facilities might not be renewed in satisfactory terms, i.e., with sufficient funds for the maintenance of those facilities) or suspend or shut down certain business projects (for instance, if a municipal authority decides to shut down a facility for which FCC Group has the concession, for example a landfill).

h) **FCC Group relies on technology to develop its business areas and maintain its competitiveness. If FCC Group does not manage to adapt to technological developments or industry trends, its business could be affected negatively.**

For the development of its various business areas, FCC Group relies on technology, including, among other aspects, communication systems, infrastructure management systems and systems for material and human resources control.

In particular, for the development of certain activities FCC Group may rely on software or other custom-made technologies for which it may be difficult or even impossible to find an alternative supplier. As the number and scope of FCC Group's operations grow, it will be necessary to improve, update and integrate FCC Group's business areas, systems and infrastructures. Accordingly, FCC Group's future success will depend on its capacity to adapt its services and infrastructures to the rapidly evolving trends of its clients and to technology demands. On the other hand, the success that FCC Group has traditionally enjoyed in the development of technological platforms does not guarantee the continuation of that success. If FCC Group is not capable of continuing to develop the technologies it requires to compete and to execute its projects, it could lose market share and revenues compared to its competitors or to new market operators that are capable of implementing the necessary technologies.

Competitiveness in FCC Group's business areas is high and technology advances rapidly. If it is to succeed, FCC Group must develop and continuously improve its technology platforms. If FCC Group does not achieve this, any competitive advantages provided by its technology will most likely decrease in the short or medium term, leaving FCC Group at a disadvantage compared to competitors that are able to advance and improve their technology platforms. Furthermore, even if FCC Group's technological developments are superior to those of its competitors, this still doesn't ensure that it will maintain its competitive advantage.

FCC Group also faces the risk of technological developments arising that could dramatically alter the industry. If FCC Group is unable to adopt those new technologies or to adapt existing technologies to compete in an effective manner, it will be hard or impossible for FCC Group to maintain or improve its position in the markets in which it operates.

In this respect, FCC Group has an active presence in the field of technological research and innovation and dedicates substantial efforts to the continuous training of its staff. Additionally, it has outsourced the management of its IT and telecommunication infrastructures. Also, FCC Group has implemented a common reporting system, with which it seeks to cover the reporting needs of its individual financial statements, as well as standardising on a systematic basis the process of consolidating the Group's economic and financial reporting.

i) **The entities in which FCC Group participates alongside third parties could expose it to risks.**

FCC Group may develop its business activities in joint ventures with public authorities or private entities through different forms of association (companies, consortia, economic interest groups, joint ventures or similar entities). These types of structures are sometimes a requirement stated in the bidding conditions.

Participants in these entities share the operational, economic and financial risks associated to certain very large projects or activities. In some of these associations FCC Group does not have a controlling stake, although it tries to manage the situation through contracts. However, adverse effects for the project, the business, the underlying economic and political situation or in the economic situation of the partners could lead to conflict, and this could negatively affect the performance and, in some cases, could end up in a breakup of the association. Also, if any of the members of the Association files for bankruptcy or if its financial capacity is jeopardised or limited in any other way, FCC Group could be liable for the payments owed by the association or by another partner, on the basis of any related obligation nor guarantee, and it might not be able to obtain compensation from the other partner.

To mitigate these risks, the Group selects the partners with which it participates in the different business areas, applying the procedures included in the FCC Group General Rules Manual.

Regarding the risks arising from outsourcing, the outsourcing model established by FCC Group is applied homogeneously, according to that General Rules Manual, where an action protocol is established stating the minimum requirements for Group companies to be able to outsource work under public or private contracts.

Also, the Human Resources Manual defines the work liabilities assumed by FCC Group in cases where it outsources staff for works or services.

j) **Some of FCC Group's subsidiaries are controlled by third parties over whom FCC Group exercises no control.**

FCC Group carries out operations in a number of jurisdictions in which the local regulations restrict or may restrict:

(i) foreign shareholders from acquiring a majority stake in companies registered locally or in companies operating in certain sectors, for instance construction; or
(ii) the possibility of foreign companies participating in public tenders.

In keeping with the strategy followed by many foreign companies operating in these jurisdictions, FCC Group in some cases has tackled this restriction to foreign ownership by using structures that are commonly used in practise, where the majority of the shares in FCC Group's local business are held by a company registered locally or nationally (depending on the requirements of each jurisdiction), by virtue of a management or similar agreement in the name or on behalf of FCC Group. The remaining minority stake in the capital of the local entity is held by FCC Group via one of its affiliates incorporated locally. Notwithstanding the foregoing, these management agreements may be less effective in terms of controlling and managing local businesses than in cases where FCC Group has a controlling stake.

Also, any ownership structure may be unilaterally questioned in Court in one or more jurisdictions. If such an objection is made regarding the ownership structure of any of the FCC Group affiliates in jurisdictions where restrictions to foreign ownership are applied, it cannot be ensured what criterion will be followed by the Courts when it comes to applying the local laws and policies to said ownership structure. A Court decision against the ownership structure in question could entail the nullity or non-enforceability of the contracts entered into, the amendment of the ownership structure of the businesses in that jurisdiction and penalties being imposed, which could negatively affect FCC Group's results and its financial situation.

k) **FCC Group's order-book is subject to adjustments and cancellations of projects, therefore it is not an accurate indication of future revenues.**

In the Environmental Services and Construction business areas, FCC Group calculates that the order-book as of a given date, as the sum of the contractual values less the amounts of the contracts it has recognised as income. Also, FCC Group calculates the order-book in the Water area based on long-term estimates throughout the duration of the contract, which serve as a basis for contracts with clients and with the rates established in said contracts.

Certain events or unexpected circumstances may negatively affect the amount and calendar of future income generated by the projects, based upon which FCC Group's order-book is calculated. These factors may include project cancellations; reductions or other amendments of terms of projects; more time requirements to complete works; interruptions of the works; and termination of a contract by the client if FCC Group's performance is inadequate.

On the other hand, FCC Group cannot predict the impact that future economic conditions may have on its order-book. In this regard, negative economic conditions may hinder FCC Group's capacity to secure new orders once projects are completed; these circumstances may also lead to the termination, modification or suspension of projects currently included in said order-book. Last of all, in the Water area, the differences between the original estimates and actual billing of water consumption throughout long-term contracts could make the actual income differ from the amounts forecast in the order-book.

FCC Group cannot ensure that its order-book will generate the expected income or cash flows, or that it will generate them in future financial periods. As a consequence, the Group's order-book should be analysed cautiously and should not be taken as a true forecast of future income.

l) **FCC Group participates in tender procedures and in regulatory authorisation procedures that may generate significant expenditure with no guarantee of success.**

FCC Group is awarded a significant number of its contracts in competitive tenders. The tender or negotiation processes prior to the awards of these contracts are often lengthy, costly and complex, and the outcome is uncertain and hard to predict. FCC Group may invest significant resources in a project or tender in which it may not ultimately win the award, meaning that it misses growth opportunities.

The risks and opportunities that arise in the tender and contracting process constitute one of the major challenges that FCC Group must face. Accordingly, the Group is currently in the process of redefining the specific processes related to risk management in the bidding and contracting stages. The company has formally established policies and procedures that focus on technical quality, technological capacity, economic feasibility and competitiveness of the bids. The process of drawing up, submitting and monitoring bids is subject to different levels of authorisation within the organisation, and the main tasks in this field are allocated to specific departments made up by highly qualified technical staff.

Also, on some occasions FCC Group needs to obtain or renew various legal permits or authorisations. On the other hand, the authorisation processes for environmental activities come up against similar difficulties, and they are often, increasingly over recent years, preceded by complex studies and public consultation. FCC Group might have to abandon certain projects in which, having been awarded the works, it is not capable of generating enough compensation to cover the investment costs, if it does not manage to obtain the necessary permits to develop the activity or if it does not manage to obtain the necessary authorisation from the competition authorities.

All of these aspects may increase the cost of the Group's activities and in some cases it may lead to its abandoning certain projects, which may negatively affect FCC Group's results and financial situation.

m) FCC Group develops its activities in competitive markets.

There is intense competition in many of the business areas developed by FCC Group. When seeking new business, FCC Group competes with a number of groups and companies, including large construction groups and engineering companies, which may have more experience or a stronger local presence in the corresponding market than FCC Group. Additionally, these groups and companies may have greater resources, both material and technical or financial resources, and they may require lower returns on their investment and be able to present better technical and economic offers compared to those of FCC Group.

In the Environmental Services, Water and Construction areas, FCC Group competes mainly in domestic and international markets in the areas of large, complex civil works, water infrastructures and distribution and municipal services for urban waste collection and street cleaning. Competition in these markets is based mainly on the price, technical experience, delivery time and local presence. In this respect, FCC Group faces the risk that, for certain public tenders related to these areas of activity, competitors may present prices that are technically and economically unrealistic, so that it is not feasible for FCC Group to compete in certain specific scenarios.

In the Cement area, FCC Group competes in the market with cement, concrete and other construction materials. Competition in these markets is based firstly on price and then, to a lesser extent, on quality and service. Also, local presence is an important factor because transport costs are significant. The prices that FCC Group can charge its clients are not substantially different from the prices charged by its competitors in the same markets.

As a consequence, returns in this business area general depend on the level of demand, which is subject to changes as a consequence of market conditions del market that are beyond the control of FCC Group and of its capacity to control efficiency and operating costs.

n) Public opinion may react negatively to certain FCC Group facilities.

FCC Group may have to face adverse public opinion because of its business activities, the growth of existing facilities or the construction of new facilities near towns or inhabited areas. In response to public pressure, governments or the relevant authorities may restrict, amend or rescind FCC Group's current activities, or its future growth plans, reducing FCC Group's capacity to implement its growth strategy.

o) FCC Group uses large volumes of energy in its business, therefore it is exposed to the risk of fluctuations in energy prices.

FCC Group, particularly in the Environmental Services, Water and Cement areas, consumes large volumes of energy. The main items of the Group's energy costs are electric power, fuel and the acquisition of raw materials. This means that FCC Group's results are significantly affected by fluctuations in energy prices.

In some of the jurisdictions in which the Group operates, energy prices have risen significantly over recent years and they could vary substantially in the future. Fluctuations in energy prices are mainly caused by market forces and other factors that are beyond the control of FCC Group.

FCC Group cannot ensure that the measures adopted to mitigate inflation risk in the price of energy, which include diversifying fuel sources, using alternative fuels, including provisions in contracts that pass cost increases on to clients and negotiating fixed prices for long-term supply contracts, will be effective to protect itself from variations in energy costs. High energy prices during prolonged periods could substantially increase FCC Group's costs and reduce its margins to the extent that it is not able to adjust the prices of its products to compensate increases in energy prices.

p) Key technical and management staff leaving the company could affect the success of business operations.

The success of FCC Group business operations largely depends on key staff with technical and management expertise. Competition with other companies over qualified technical and management staff in the sectors where FCC Group operates is intense. Some of these companies may be able to dedicate greater financial and other resources to hire key staff.

If FCC Group loses part or all of its key staff it might be hard to replace them. If the Group cannot hire and maintain the key staff it needs, it will be more difficult, or maybe impossible, for it to successfully manage its business.

Also, some of the Group's employees have degrees, licences, special certificates and other professional expertise recognised by the public administration. FCC Group may need to employ staff with these qualifications and experience to be a candidate in certain public projects. If FCC Group does not manage to hire and maintain staff with the necessary professional experience and credentials, its capacity to successfully complete current projects and to compete for new ones would be negatively affected.

In relation to the human resources management carried out by FCC Group, it has implemented in Spain and in some of its affiliates training processes, consisting of training plans structured on the basis of programmed periodic training, whether basic or for updating knowledge, or specific training to address concrete needs at any given time. In particular, FCC Group develops training plans for all the staff involved in drawing up the Group's financial statements. This Plan includes permanent updating of the evolution of the business and regulatory environment of the activities developed by the different companies in the Group, as well as updating knowledge of the International Financial Reporting Standards and the regulations and evolution of the financial reporting internal control principles.

q) **FCC Group increasingly depends on IT systems.**

FCC Group increasingly depends on highly sophisticated information technology or IT systems. These IT systems are vulnerable to several issues, such as software or hardware malfunction, piracy, physical damage to vital IT centres and computer viruses. IT systems require regular updates and the Group may not be able to implement the necessary updates at the right time, or said updates may not work as was planned. On the other hand, if FCC Group does not protect its operations from cyberattacks it could lose data on clients or projects or any other information that is important for its business development. Threats are increasingly more sophisticated and FCC Group cannot guarantee that it will be protected from all of them. FCC Group may have to incur significant expenses as a result of failures in its IT systems. FCC Group cannot guarantee that the backup systems to provide high service quality and ensure the continuation of business will be capable of preventing all the threats. If these systems fail or are inadequate, FCC Group might experience important business interruptions and might lose or jeopardise important data.

r) **FCC Group is subject to litigation risk.**

FCC Group is, and may be in the future, a party in civil, criminal, arbitration, administrative, regulatory and other proceedings that may arise in the ordinary course of its business. These proceedings may have to do with claims because of defects in construction projects executed or in services provided, labour, environmental or tax claims. Unfavourable outcomes of such proceedings could represent significant liabilities for FCC Group, such as damages, the cost of cleaning and penalties in the event of spills, dumps or environmental pollution, non-compliance with comprehensive environmental authorisation requirements at its facilities or plants, and they could also interfere in the management of FCC Group's business. Even in the event of a favourable decision for FCC Group, said proceedings may be costly, time-consuming and require lots of attention from management. Also, the liability insurance taken out by FCC Group may not be sufficient, or it may not apply to the claims to which it is exposed. Notwithstanding the foregoing, FCC Group records contingent liability provisions, acting in conformity with applicable law.

In particular, the Group currently has certain ongoing litigation plus the formal announcement of claims that will be filed against FCC Group or against companies belonging thereto in relation with the bankruptcy proceedings of Alpine Bau GmbH ("Alpine Bau") and Alpine Holding GmbH ("Alpine Holding"). If the outcome of such litigation is unfavourable, the Group might have to face considerable liabilities. And there is also uncertainty regarding whether other claims will be filed directly against FCC Group, against Alpine Bau or against Alpine Holding, and, if they are filed and the outcome is unfavourable, whether they will negatively affect FCC Group.

s) The industries in which FCC Group operates are closely scrutinised by the competition authorities.

In recent years, in various jurisdictions the competition authorities have submitted the business areas in which FCC Group operates, particularly the Cement and Environmental Services areas, to close scrutiny and they have imposed fines on companies because of their involvement in illegal cartels and other anti-competitive practices.

t) If FCC Group does not obtain government approval for its projects, or if it is delayed in obtaining them, its financial situation and results could be affected negatively.

FCC Group operates in jurisdictions where its activities may be regulated and subject to authorisations by public authorities. Although FCC Group is subject to these requirements in many of its activities, they especially affect the Environmental Services and Construction areas and, in particular, the activities related to public services. With the purpose of developing and completing a project, the developer may need to obtain permits, licences, certificated and other approvals from the corresponding administrative authorities throughout several stages of the project. The process for obtaining these approvals is often long and complex. FCC Group cannot guarantee that it will obtain the necessary government approvals or the compliance with the conditions required to obtain the approvals or that it is adapted to the new laws, regulations and policies that may enter into force at any given time. If FCC Group does not manage to obtain the corresponding approvals or comply with the conditions for those approvals in certain projects, they could be delayed, FCC Group's reputation among its clients could suffer and its capacity to generate income would be in jeopardy.

u) FCC Group's activities are subject to laws and regulations against bribery and corruption, which affects where and how FCC Group carries out its activities.

FCC Group's activities are subject to a number of laws and regulations, such as the Foreign Corrupt Practices Act of 1977 (FCPA) in USA, the Bribery Act 2010 in the UK, the rules enacted by the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury, the Spanish Criminal Code, which was amended in 2010 so as to include the criminal liability of legal persons, along with the anticorruption laws of other jurisdictions.

FCC Group has established systems to facilitate compliance with the applicable laws and regulations and has provided its employees with training programmes to facilitate compliance with those rules. As of the date of this Registry Document, FCC Group has not been sanctioned for any breaches of anti-corruption or anti-bribery laws. It cannot be assured, however, that FCC Group policies and procedures are followed at all times, or that they are able to effectively detect and prevent all breaches of the applicable laws and regulations, always identifying every instance of fraud, bribery or corruption in all the jurisdictions where one or more of its employees, advisors, agents, trade partners, contractors, subcontractors or joint venture partners are. As a consequence, FCC Group could suffer sanctions or reputational damage if its employees, consultants, agents, suppliers or partners do not comply with the corresponding anti-corruption or anti-bribery laws.

Regarding the recent reform of the Criminal Code in relation to the criminal liability of legal entities, FCC Group has drafted a Crime Prevention and Response Manual which has two clearly differentiated parts:

- The first part corresponds to the prevention stage and it consists of identifying and updating the behaviours entailing the risk of committing the offences that might occur in the Group, as well as planning and implementing the controls to mitigate them. To do so, the Group has set up certain oversight bodies and mandatory procedures.
- The second part deals with the bodies and procedures implemented to respond to behaviours which could constitute the commission of a violation within FCC Group, especially behaviour which could be interpreted as illegal.

v) FCC Group may be affected by accidents at its works.

FCC Group may be affected in the event there are accidents at the worksites of FCC Group projects, particularly in the Construction Area. These accidents may interfere in the operations and cause delays in project completions, which might in turn entail subsequent delays in payments by clients, as well as potential client claims, who would seek compensation and possibly terminate the contracts. Besides this, FCC Group could be liable for the damages caused in the accidents and it cannot guarantee that its insurance policies will be sufficient to cover these claims.

w) **Risks associated to the Environmental Services Area.**

(i) **The landfill business in the UK has been and continues to be exposed to a highly adverse market situation, and things could worsen in the future, with a negative impact on FCC Group.**

The main cause of the impairment of FCC's landfill business in the UK is the application of the European regulations that drastically reduce the waste to be eliminated at landfills, with the introduction and subsequent gradual increase of the Landfill Tax, as well as the institutional support for alternative recycling, treatment and elimination means (mainly incineration) to the detriment of landfills. Also, there has been a reduction of the total volumes of waste generated as a result of the economic crisis.

If the circumstances that generated the current situation remain or worsen and the decline continues, there would be an additional negative impact on FCC's business and accounts.

(ii) **Reductions in waste gathering volumes would cause a reduction of the fees collected.**

The fees collected by FCC Group under waste gathering service contracts are calculated based on the weight in tonnes of the waste that is gathered. As a consequence, a decrease in waste gathering would necessarily cause a reduction of those fees. The cause of the decrease in the production of waste is the reduction of consumption by individuals, which in turn is caused mainly by general macroeconomic developments.

x) **Risks associated to the Water Area.**

(i) **Activities in the Water business are sensitive to changes in consumption models.**

There has been a decline in the volume of drinking water that is supplied in some developed countries, mainly due to the water saving programmes established by public authorities and the industry and due to the extended idea that water is a resource that must be preserved. In Spain, FCC Group estimates that the volume of water bills has declined by approximately 1% per year over the last 15 years. Thus far FCC Group has managed to offset the effect of these reduced volumes by means of production benefits and negotiating contracts where part of FCC Group's revenues are independent of volumes. If the volume reduction increases those efforts might not be sufficient to fully offset said reduction.

(ii) **The Water business is sensitive to weather conditions.**

FCC Group's results in the water business may be affected by significant changes in weather conditions. Thus exceptional rainfall levels could have a negative impact on FCC Group's results. For instance, in Spain during the 2003-2005 three year period rainfall was lower than the average for the previous ten years, and 2005 was the driest year since 1947, leading, among other things, to water saving campaigns among consumers and plans to optimise water use in farming. Also, exceptional rainfall levels were the cause of the reduction of water consumption in France in 2007, whereas certain episodes of hot weather generated greater water consumption in 2003 in that country; in 2012, seven water authorities in southern and eastern England imposed the hose pipe ban due to severe drought, which affected 20 million consumers.

(iii) **When supplying drinking water FCC Group must ensure that the water is fit for human consumption.**

The most significant risk associated to the management of drinking water facilities is the supply of water that might cause health issues among end consumers. For instance, if there are any errors in the water treatment process affecting water quality, or if there are any acts of sabotage altering the nature or quality of drinking water, FCC Group could suffer loss of business and revenues, reputational risk, and incur liability and have to pay damages or cleaning costs.

(iv) **Contaminated water spills could have a negative impact on FCC Group.**

FCC Group manages waste water treatment plants and the main risk related to this activity is that of spilling contaminated water due to errors in the management of the facilities. Besides being caused by errors or negligence in facilities management, contaminated water spills may take place as a result of acts beyond the control of FCC Group, including third-party acts, such as those of industrial users of sewage systems. In the latter case, FCC Group might be liable for damages and have to bear cleaning costs and suffer reputational damage.

y) **Risks related to the Construction Area.**

(i) **FCC Group is subject to risks relate to construction.**

The time and the costs involved in the execution of FCC Group's construction projects may be affected negatively by several factors, including fluctuations in the costs of construction materials, equipment or labour, accidents, delays in obtaining approval by the relevant authorities, for project management, adverse weather conditions and land in poor condition, construction limitations and other unforeseen circumstances. Any of these factors might delay the complete execution of projects and lead to additional costs and subsequent losses. Delays in project completions could in turn lead to a loss of revenues or termination of contracts, as well as potential claims by clients, who would seek compensation or termination of contracts, and this could negatively affect the results and the financial situation of FCC Group.

(ii) **The construction industry is highly cyclical.**

The construction industry is of a cyclical nature and is significantly dependent on public and private investment. Investment levels in the public and private sectors are in turn related to the general economic conditions. Investment generally increases in times of economic growth and it declines in times of recession. In Spain, in particular, the construction industry has been seriously affected by tough economic conditions over the last few years.

Current economic conditions have led to a sharp reduction in tenders for civil engineering works, including public sector projects in Spain and other OECD countries. Civil engineering investments included in the annual budget of countries where FCC Group is or intends to be present depend mainly on two factors: the budget policies of the corresponding governments and the existing economic conditions at the time.

(iii) **FCC Group's construction projects may be delayed or the budget may be exceeded, generating lower profits than expected or even losses.**

Large-scale construction projects entail certain risks, for instance shortage of materials, machinery and labour or an increase of their costs. If contractors or subcontractors do not comply with the agreed deadlines and budgets and if there are any interruptions due to adverse weather conditions or unexpected technical or environmental difficulties, there could be delays and increases in the construction costs. The contractual liability clauses to which FCC Group might resort in these situations in respect of contractors and subcontractors might not fully or partially cover the losses, especially in cases of contractor or subcontractor insolvency. If there are delays in the construction, FCC Group may receive the income later than expected and may face penalties and even the termination of the corresponding contract. These factors could increase FCC Group's expenses and reduce its revenues, in particular if FCC Group does not manage to recover those expenses through the operation of its concessions. Delays and cost increases may cause the projects to be less profitable than what FCC Group expects and even generate losses that could be significant. Several factors may prevent FCC Group from withdrawing from those projects, for instance performance bonds or other financial guarantees it may have granted; long-term contracts with local suppliers; local clients and partners that are not willing to withdraw from the project or joint venture, or employment contracts with local personnel. In this regard, on certain occasions it could be more costly for FCC Group to abandon non-profitable projects or projects generating long-term losses than seeing them through to completion.

(iv) **The construction materials market depends to a great extent on the cyclical nature of the construction industry.**

The construction material industry depends on the level of activity in the construction sector. The industry goes through cyclical trends and depends on the Regulatory or Compliance risks are those arising from the breach of requirements and expenditure level in relation to construction in the residential, commercial premises and infrastructure sectors. Political instability or changes in government policies may also influence the construction industry, which is sensitive to factors such as GDP growth, population increase, interest rates and inflation. The worsening of the Economy could lead to recession in the construction industry.

z) **Risks associated to the Cement Area.**

(i) **Operations in the cement business are subject to emissions control rules.**

Cement production requires extremely high temperatures and it consumes important amounts of energy derived from fossil fuels, which in turn increase emissions of greenhouse gases. FCC Group's operations in the cement business in Spain are subject to the Kyoto Protocol. According to Kyoto, companies have a limited number of emission rights at their disposal and must acquire additional rights from other companies that do not use all of the ones they were granted. Considering that the emissions created by cement production cannot be reduced, emission rights must be managed carefully. If FCC Group does not properly monitor its emissions and emission rights it could face penalties and other liabilities.

FCC Group is exposed to the risks inherent to the emissions trading system (ETS) introduced by the European Union in 2005. Phase III of this system, which covers the period from 2013 to 2020, particularly stresses the elimination of the allocation free of charge of emission rights in respect of the generation of electricity, effective as from 1 January 2013, with exceptions for certain European countries, which significantly reduces the free allocation for heat generation. The overall goal is to achieve, by 2020, a 20% reduction of greenhouse gas emissions (compared to 1990 levels).

Regulations on emissions control and the obligation of operating within an ETS expose FCC Group to two risk categories. On the one hand, it might occur that FCC Group produces a higher level of emissions than expected, both for technical reasons and for business related reasons, and this might entail additional costs for the Group. On the other hand, FCC Group might not be able to adjust its price policies so as to pass on the overall impact of the extra cost of acquiring emission rights.

Regulatory and compliance risks

Regulatory or Compliance risks are those arising from the breach of requirements and limitations established by Law and by the specific regulations applying to each business sector, as well as the breach of professional obligations or codes of conduct and contractual obligations.

a) **The industries in which FCC Group operates are subject to comprehensive regulations which are in turn susceptible of being amended.**

In the execution of its business operations, FCC Group must respect several laws and local, province, national and international regulations. The laws and regulations applicable to the Group's business vary from one jurisdiction to the next and even between different towns and they may be subject to amendments, which may or may not be favourable. A change in the legal framework could lead to different or more restrictive regulations, and this could be the cause of changes in FCC Group's operating conditions; this could increase FCC Group's capital expenditure (for instance, the requirements for amending the configuration of existing facilities) or its operating expenses (for instance, the implementation of additional inspections and monitoring procedures), affect its results and financial situation or in any other way hinder the Group's development plans. Among these possible new regulations, new tax regulations, such as the one applicable to waste dumping and treatment services, could affect FCC Group's revenues if it is not capable to passing on those increases to end users.

Also, and as an example of regulations that have required FCC Group to adapt its activities, the Landfill Tax in the UK imposes charges according to the type and amount of waste deposited at landfills in an attempt to promote recycling, composting and extraction of value from waste.

FCC Group has implemented procedures that guarantee compliance with the laws regulating each one of the different economic activities developed in the Group. The different specialised departments stay abreast of regulatory changes, advising the Group's units accordingly and issuing standards as needed to standardise the Group's criteria and guarantee compliance with the law.

For operations outside Spain, the FCC Group seeks legal advice from local professionals in relation to the specific laws and regulations that affect the Group's business in each country.

b) **Past and present activities may expose FCC Group to cost increases and to liability risk, particularly regarding health and environmental risks.**

The increasingly comprehensive laws and regulations under which FCC Group operates expose it to higher liability risks, particularly in environmental matters. The local, regional, national and EU entities of the countries where the Group operates regulate their activities and establish the applicable environmental regulations. The technical requirements imposed by the environmental regulations are increasingly costly, complex and strict.

These laws may impose a strict liability in the event of damages to natural resources or threats to public health and safety. This means that FCC Group may even be liable for the assets it no longer owns and for activities it no longer carries out.

Besides this, FCC Group may be obliged to pay penalties, repair damages and perform improvement works even if has carried out its activities with due care and fully complying with operating permits. FCC Group may be considered jointly and severally liable together with other parties. The relevant authorities may impose sanctions and penalties or they may revoke and reject the grant of authorisations and permits based on non-compliance with current regulations.

Some of FCC Group's activities could cause disease, damages and even deaths, the interruption of the business or damages to the assets or to the environment. The measures established by FCC Group to mitigate these risks, including contractual limitations to the liability of FCC Group, the preventive and protective measures and the insurance policies covering what FCC Group considers its critical operational risks may be insufficient, which could lead to it incurring substantial costs. A stricter application of the existing regulations, the entry into force of new laws, the discovery of previously unknown sources of contamination or the imposition of new, more demanding requirements may increase costs or impose new liabilities on FCC Group, leading to lower revenues and reducing the liquidity available for their activities.

In addition, by means of contracts for the outsourcing of environmental services, FCC Group companies may develop activities in certain places that are environmentally sensitive and qualifying as 'Seveso sites' with a high or low threshold (or their equivalent abroad) operated by industrial clients, particularly petrochemical industrial facilities. In these cases, the dangerous natures of the products, waste, spillage and emissions treated by FCC Group, as well as the nearness of the facilities that are managed to other potentially dangerous sites require that FCC Group manage the performance of services with utmost care and expose it to significant potential costs and liabilities in the event of an accident. The regulatory regime governing 'Seveso sites' applies only in the European Union, but FCC Group can also operate at sites outside the EU, for instance USA, which are subject to comparably strict regulations.

In this respect, FCC Group has implemented environmental management systems in the different business areas, which underscore the following:

a) Compliance with the environmental regulations applicable to the activities of each area.
b) Establishment and attainment of continuous improvement targets beyond those required by prevailing legislation or contracts.
c) Minimising environmental impacts through proper operational control.
d) An ongoing analysis of risks and possible improvements.

These management systems have been implemented in the different business areas according to UNE-EN standards and the Group has obtained ISO 14001 certification for its Environmental Management System.

c) **FCC Group is subject to significant environmental and hygiene regulations that may be potentially costly.**

FCC Group incurs, and shall continue to incur significant costs and other expenses in order to meet its obligations in the field of the environment, safety and healthcare and to manage its risks regarding hygiene. In particular, these risks are related to water spillages, drinking water quality, waste processing, the contamination of the soil and ground waters and the quality of smoke and gas emissions. FCC Group may be unable to recover this expenditure via higher prices. Environmental laws and regulations are frequently amended, often leaning towards greater strictness. These changes in the laws and regulations may oblige FCC Group to incur expenses or make investments in order to comply.

Legal requirements, including specific precaution and prevention measures, may oblige FCC Group to make investments and incur other expenses to guarantee that the facilities in which it operates comply with the applicable regulations. In cases where there is no investment obligation, FCC Group may have to notify its clients of their obligation to carry out the necessary works. If a client does not comply with these obligations it could be detrimental for FCC Group as operators and it could negatively affect its reputation and growth capacity. Furthermore, regulatory entities have the power of filing procedures that could lead to the suspension or cancellation of the permits or authorisations that FCC Group has, or to the adoption of preventive measures requiring it to suspend or discontinue certain activities.

These measures may be accompanied by penalties and civil or criminal sanctions that could have a significant negative impact on FCC Group's results and on its financial situation.

d) **Tax regulations.**

Within the context of the delegation of powers agreed by the Board of Directors and the Chairman and the business model established in the FCC General Guidelines and the Financial-Economic Manual, in addition to the specific powers vested in the person responsible for the Tax Division, the functions of this Division include: proposing criteria relative to the Group's tax policies as well as to advise on and coordinate their application, with fiscal efficiency, in corporate acquisitions and reorganisation operations and for those presented by the different business areas in connection with their activities.

Additionally, with the purpose of minimising and ensuring the reasonable control and adequate information on tax risks, FCC has adhered to the Code of Good Tax Practice (a body with the participation of big Spanish companies and the central tax administration), approved at the Big Companies Forum, and it complies with the contents thereof. In compliance with the terms of the Code, the Tax Division reports to the Audit and Control Committee on the Group's tax policies through the General Administration Management.

On the other hand, in September 2014 the Fiscal Code of Conduct was approved by FCC Group, which is applicable to all the employees of FCC Group and has the goal of establishing the policies, principles and values that should guide tax behaviour within FCC Group.

Said code shows the obligations that are to be met by employees with responsibilities in FCC Group's tax area:

a. Follow the applicable tax regulations in each jurisdiction, based on sufficiently reasoned and reasonable interpretations and sufficiently verified facts.

b. Respect FCC Group's "Framework Rule for the Control of the Tax Area", as well as the specific communication, action and revision procedures for the tax area.

c. Ensure that the relevant decisions in the field of taxation are supervised by the Group's senior management and are duly supported, based on a global, integrating approach that takes into account the various business variables and the possible risks that are assumed.

d. Develop and foster a relationship of transparency and mutual trust with the tax authorities of each country.

e. Participate actively in the tax forums of the employer associations and international organisations to which FCC Group belongs, in order to propose specific tax measures geared to attaining a fairer and more harmonised tax system, both for the interests of the Group and for those of society at large.

e) **Code of Ethics.**

FCC Group has a Code of Ethics in place that regulates the guiding principles of Group employees' conduct and the relations between Group employees and other stakeholders, and it is obligatory for all the individuals in the Group and for third parties that voluntary accept its application.

The FCC Group Code of Ethics is a tool to guide actions in corporate, environmental and ethical issues of particular importance. The Group offers an online training tool for the Code of Ethics.

The people in connection with the Code of Ethics are under the obligation to report any breaches thereof, and for said purpose they can use the established ethical channels and procedures confidentially, in good faith and without fearing retaliation. FCC Group has established a general communication procedure for matters related to the Code of Ethics.

As a result of the incorporation of criminal liability of legal persons to the Spanish Criminal Code in 2010, FCC Group, by creating a working group made up by the General Internal Auditing and Risk Management, the General Legal Consultancy Management and the General Administration Management, with the collaboration of KPMG, decided to carry out a comprehensive study of the identification of the controls needed to mitigate the risk of employees committing any of the crimes incorporated following the reform.

The following work was carried out:

Study of the FCC Group internal control general framework: components of the control environment, risk management, control, reporting, communication and supervision activities; the working group especially focuses on all the existing protocols on the use of information technology at FCC and on its policy on the use of technological means and its IT security policies, among others.

- Identification of the relevant crimes that may be applicable in FCC Group's business environment, especially in the fields of ethics and integrity, segregation of functions, and authorisations of payments, among others.
- Assessment of the risk of each of the identified behaviours materialising, in terms of impact and probability.
- Identification and setting priorities regarding the main controls and actions aimed at preventing, detecting, punishing and correcting said behaviours.
- Evaluation of the strength of the controls and key actions.
- Identification of areas of improvement for the management of the risk of crimes being committed and the establishment of specific action plans.

As a result of this process, FCC Group prepared a Crime Prevention and Response Manual which defines the response protocols when an offence or crime is committed.

Additionally, in light of the current reform of the Criminal Code in this matter, the General Internal Auditing and Risk Management has been working, since the approval of the Criminal Code Reform Bill in September 2013, on strictly monitoring the evolution of the amendments contemplated in said Project and its repercussions for legal persons, with the purpose of adapting FCC Group's Prevention and Response System and its control environment.

Among others, the following aspects have been analysed:

- The changes it represents in respect of the liabilities of senior management, administrators and directors, in keeping with the reform of the Capital Companies Act.
- The growing importance of Crime Response Prevention Systems and the integration thereof in the Corporate Compliance programmes.
- Requirements on the monitoring of the functioning of those programmes by an independent body within the organisation, entrusted with the function of supervising the control environment.
- The new types of offence or crime from which liability arises for the legal person.
- The extraterritorial nature of some types of offence or crime.

Additionally, FCC Group's international nature has made it necessary to analyse the requirements in the field of corruption, bribery and money laundering established by international bodies and by some of the main countries where FCC Group develops its activities.

Also, during 2014 a review commenced of the Crime Prevention and Response Manual, with a triple goal:

- The incorporation of the novelties considered in the draft Criminal Code Reform.
- The adaptation to the new organisational model and the redefinition of functions.
- The incorporation of the changes arising from the forthcoming implementation of the Whistleblowing System.

During 2014 progress was made in the definition, development and implementation of a Whistleblowing System, which allows it to guarantee that the claims received through the channels established in the Crime Prevention and Response Manual are managed according to what is established in said manual, guaranteeing the confidentiality and traceability of the information, as well as the documentation of all the actions performed, in turn guaranteeing the different legal requirements in terms of Data Protection (LOPD).

f) **Internal Control over Financial Reporting (ICFR).**

Listed companies have the obligation of including, in their Annual Corporate Governance Report (IACG), information on the description of its Financial Reporting Internal Control System (FRICS). Also, the Audit Committees of publicly listed companies have assumed new internal control responsibilities.

In this regard and in connection with the good practices proposed in the report published by the CNMV (Spanish securities market commission), FCC Group has prepared an ICFR Report for 2014 which is part of this Annual Corporate Governance Report and it has been subject to an external audit.

g) **Personal data protection systems.**

The processing of personal data, mainly in order to comply with the Data Protection Law (LOPD), is specifically regulated in the environments where FCC operates. To manage the risk of non-compliance, there is a programme that measures the impact on each business area and then establishes the necessary controls. This programme defines the legal, organisational and technical controls in each case.

h) **Quality assurance systems.**

FCC Group has, in all of its business areas, quality management systems that are formally implemented and deeply rooted in the organisation, which has allowed it to obtain the organisation's Certificate of the Quality Management System, according to the UNE-EN ISO 9001 standard, and successfully pass the auditing appraisals done from time to time by external professionals.

The quality control committees in the different areas of the Group are the supreme executive bodies with the authority to establish guidelines, oversee compliance and review systems.

i) **Information security systems.**

FCC Group has an operating unit entrusted with analysing and mitigating the factors that could lead to a security failure in its information systems.

For each new project implying decisive changes in FCC Group's reporting systems, an analysis is carried out of the existing risks in order to identify the specific threats and define the adequate countermeasures. With regard to information processing risk, FCC Group has established a Corporate Information Security Policy laying down common information management criteria to mitigate those risks which could affect the confidentiality, availability and integrity of information. These criteria are based on the internationals standards of the International Standardisation Organisation (ISO) set out in the ISO 27000 family standards.

As a consequence of the above-mentioned Policy, the Company has a Code on the use of technology means and different action protocols for the management of incidents related to the use thereof. Controls have been implemented to guarantee user access to the resources for which they are authorised based on their need to know and their assigned roles.

FCC Group has a monitoring system known as 'Data Leak Prevention' to detect and prevent the risk of classified data leaks through information systems.

FCC Group has a Security Operation Centre (SOC) that operates 24/7 to address the growing threat of attacks from the Internet and possible information leaks.

As stated above, FCC Group has outsourced the services for the management of its IT infrastructures. Furthermore, investments are being made to standardise the architecture of FCC's systems and to remove any differences between the environments managed by Group companies in terms of availability and integrity.

FCC has thus guaranteed the efficient use of its information systems while ensuring the most effective operation and management of such systems based on best practices model for information technology service management (ITSM).

j) **Occupational risks.**

UA priority goal for FCC Group is to carry out its activities with a high level of health and safety for its entire staff, as well as strictly complying with the legal regulations in the field, as shown by the Occupational Risk Prevention Policy approved by the Board of Directors. To achieve this, occupational risk prevention systems have been implemented in all business areas and the Group companies received OHSAS 18001 certification, successfully passing the periodic audits conducted by external professionals.

As a guarantee of homogeneity and as an instrument of global management and adaptation to the organisation's standards in this field, FCC Group has a Corporate Manual on Occupational Health and Safety that entered into force in 2012, the guidelines of which are being incorporated to the management systems that are implemented. This is aimed at permanently reducing occupational accidents with a horizon of 'Zero Accidents'.

The certification of the occupational risk prevention management systems has been incorporated as a global strategic objective in Human Resources.

Financial risks

The concept of financial risk refers to the variations, due to political, market and other factors, in the financial instruments contracted by FCC Group and their repercussion on the financial statements. FCC Group's risk management philosophy is consistent with its business strategy, seeking the maximum efficiency and solvency at all times, for which purpose it has established strict criteria for the control and management of financial risks, consisting of identifying, measuring, analysing and controlling the risks incurred in FCC Groups operations, and the risk policy is appropriately integrated within the Groups organisation.

Given the Group's activities and the operations through which it executes these activities, it is currently exposed to the following financial risks:

a) **Capital risk.**

FCC Group manages its capital to ensure in a reasonable manner that FCC Group companies are able to continue as profitable businesses, while maximising shareholder returns.

FCC Group's overall strategy continues to focus on geographical diversification, developing and expanding activities in OECD countries and selectively in emerging economies.

The Finance Management, which is responsible for managing financial risks, reviews from time to time the financial debt ratio and the compliance with the financing covenants, as well as the capital structure of the affiliates.

b) **FCC Group is exposed to foreign exchange risk.**

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

Although the basic currency in which FCC Group fundamentally operates is the euro, FCC Group also has financial assets and liabilities booked in other currencies besides the euro. Foreign exchange risk lies mainly in debt denominated in foreign currency, in investments in international markets and in collections taking place in currencies other than the euro.

FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

c) **FCC Group is exposed to interest rate risk.**

FCC Group is exposed to the risk arising from variations in interest rates because the Group's financial policy seeks to guarantee that its current financial assets and its debt are partially linked to variable interest rates. The reference interest rate of FCC Group's debt with credit entities contracted in euros is basically the Euribor.

A hike in interest rates could cause an increase of FCC Group's finance costs linked to its borrowing associated to variable interest rates and it could also increase the cost of refinancing FCC Group's borrowing and the issuance of new debt.

With the purpose of being in the most suitable position for the interests of FCC Group, an active interest rate risk management policy is followed, continuously monitoring the market and taking different positions mainly according to the assets that are financed.

d) **Solvency risk.**

The most representative ratio to measure the solvency and capacity to pay back debt is Net debt/EBITDA.

e) **FCC Group is exposed to liquidity risk.**

FCC Group carries out its operations in industrial sectors requiring high levels of financing; to date it has obtained adequate financing to carry out its operations. However, FCC Group cannot guarantee that the circumstances regarding how it obtains financing will continue in the future.

FCC Group's capacity to obtain financing depends on many factors, many of which are beyond its reach, such as overall economic conditions, the availability of funds at financial institutions and the monetary policy of the markets where FCC Group operates. Adverse effects in debt and capital markets may hinder or prevent FCC Group from obtaining adequate financing to develop its activities.

Apart from looking for new sources of financing, FCC Group may need to refinance part of its existing debt via bank loans and debt issuances, due to the fact that a substantial part of FCC Group's financing falls due in 2018. Historically, FCC Group has always been able to renew its credit contracts and expects to continue doing so over the next 12 months. However, the capacity to renew credit contracts depends on a number of factors, many of which do not depend on FCC Group, such as overall economic conditions, the availability of funds among private investors and financial institutions and the monetary policy of the markets in which FCC Group operates. Negative conditions in debt markets could hinder or prevent FCC Group from renewing its financing. FCC Group therefore cannot guarantee that it will be able to renew its credit contracts in economically attractive terms. The inability to renew those credits or to ensure that is has adequate financing under acceptable terms could have a negative impact on the liquidity of FCC Group and on its capacity to cover its working capital needs.

To properly manage this risk, FCC monitors the maturity dates on the policies and financing agreements of all Group companies very closely in order to negotiate the renewals in a timely manner under the best conditions the market has to offer; as the case may be, it may study alternatives whenever conditions are not as favourable. FCC Group is present in various markets in order to facilitate obtaining financing and to mitigate liquidity risk.

In this respect, in June 2014 the Group's most important credit facility entered into force. It is a syndicated loan of 4,528 million euros, for four years, to which are added a number of agreements that significantly push back the maturity of the Group's debt. These include the obtainment and renewal of new working capital facilities (leasing, factoring, confirming...), international bond facilities, with 250 million euros extendable up to 450 million, and the renewal for six years (until October 2020) of the existing convertible bond totalling 450 million euros.

Both these operations are basic pillars for reaching the restructuring and profitability goals contemplated in the Strategic Plan.

f) **Concentration risk.**

This risk arises from the concentration of financing transactions with common characteristics and is broken down as follows:

- Sources of financing: In order to diversify this risk, FCC Group works with a great number of domestic and international financial institutions to obtain financing.
- Markets/Territory (Spain, abroad): FCC Group operates in a wide variety of markets in Spain and other countries; the Group's debt is denominated primarily in euros and the remainder in different international markets with other currencies.
- Products: FCC Group uses diverse financial products: loans, credit facilities, obligations, syndicated operations, assignments, discounts, etc.
- Currency: FCC Group finances its operations using a number of different currencies depending on the country where the investment is being made.

FCC Group's strategic planning process identifies the goals for each of its business areas according to the improvements that are to be implemented, the market opportunities and the risk level considered acceptable. On the basis of this process, the Group designs operating plans specifying the targets to be achieved each year.

In order to mitigate the market risks inherent to each business line, the Group maintains a diversified position across activities related to construction and infrastructure management, provision of environmental services, energy and others. In the field of geographic diversification, in 2014 foreign activity accounted for 44% of total sales, and it was particularly important in the Group's most significant areas, infrastructure construction and environmental services.

g) **Credit risk.**

Rendering services to or accepting orders from clients whose financial soundness is not guaranteed at the time of acceptance or which cannot be evaluated by FCC Group, as well as situations that may occur during the rendering of the service or fulfilment of the order that can affect a client's financial situation, can give rise to the risk of outstanding balances not being paid.

The Group takes care of requesting trade reports and evaluating the financial soundness of clients before entering into contracts with them; it also monitors them on a permanent basis, and has a procedure prepared for cases of insolvency. For public sector clients, FCC Group has a policy of not accepting work that does not have an assigned budget and prior economic approval. Proposals for work that exceed a particular payment deadline must be authorised by the Director of Finance. Defaults are also monitored continuously with specific bodies such as risk committees.

h) **Risk-hedging financial derivatives.**

In general, the financial derivatives contracted by FCC Group are accounted for according to the regulations on accounting hedges established in the notes to the annual financial statements. The main financial risk hedged by the FCC Group using derivatives is the variability of the floating interest rates to which the various FCC Group companies' borrowings are indexed. The valuation of the financial derivatives was carried out using generally accepted methods and techniques by experts in the field that are independent from the Group and from its financing entities.

Reporting risks

a) **Organisational and corporate complexity.**

Given FCC Group's organisational and corporate complexity, there could be a risk of inadequate comprehensive information reporting within the organisation.

The fact of not reporting adequately on the achievement of strategic goals by identifying critical risks that have materialised, regarding which Management could still carry out specific action plans to correct negative deviations to achieve such goals could entail significant deviation in terms of compliance with the FCC Group strategy.

Also, the identification of key performance indicators for business, in relation to compliance with the goals of each business unit, would make it possible to make decisions before there are any deviations in relation to the quality of the financial information that is reported.

Accordingly, and as part of the implementation process of the Integrated Risk Management Model, the Group is working on improving the existing information flow in respect of Compliance with the Group's strategy according to the identification and evaluation of the risks hindering the achievement of the goals of each of the business units in FCC Group and the identification of the adequate KPIs for those goals.

b) Reputation management / Corporate governance.

Reputation management is part of FCC Group's Code of Ethics and of the work developed in matters related to Corporate Responsibility and Ethics. Social responsibility policies are an inherent part of FCC Group, for which conducting business requires a comprehensive commitment to the society it is part of.

E.4. Identify whether the company has a risk tolerance level.

As the basis for the implementation process of the Integrated Risk Management Model that the Group is currently working on, the Accepted Risk levels shall be established for each Business Unit.

For risks exceeding the Accepted Risk for each sector of activity, the necessary action plans are established with corrective measures to keep their critical levels within the Accepted Risk area. These action plans include the necessary actions to reinforce existing controls and they may even incorporate new controls.

E.5. State what risks materialised during the year:

- **Risk that materialised in the year:** Limitations on access and refinancing in financial markets.

Underlying circumstances:
The current financial and economic crisis has caused difficulties in terms of access to financing sources for the Group, as well as for refinancing existing loans in the best possible conditions, with the subsequent negative effect on the Group's financial statements.

How the control systems operated and response plans:
After presenting the new Strategic Plan on 20 March 2013, the company embarked on a global refinancing process involving all of the parent company's syndicated loans and a significant part of the bilateral financing, which contemplates obtaining liquidity lines and extending the current maturities.

Accordingly, there has been an intensive negotiation process throughout 2013 and 2014 with the major financial suppliers; it ended successfully in June 2014, reaching an agreement aligned with the fulfilment of the goals contemplated in FCC Group's Strategic Plan, which will start to have an important positive effect on the Group's accounts as from 2015.

- **Risk that materialised in the year:** Adaptation of FCC Group's personnel to planned operations/flexibility of personnel costs.

Underlying circumstances:
The current financial and economic crisis caused a decline in the Group's turnover, which has equally affected other operators in the market. This circumstance has led to a loss of efficiency per production unit, which has been shown on the Group's financial statements over the last few years.

How the control systems operated and response plans:
Over the last few years FCC Group has carried out adjustments of its structure to current demand in the market, via several staff restructuring measures, and it managed to effectively adjust the headcount to the expected production requirements, which has led to production efficiency improvements in 2014, and additional improvements are expected as from 2015.

- **Risk that materialised in the year:** Reprogramming of construction works.

Underlying circumstances:
The current financial and economic crisis has caused a delay in public-sector investment, leading to reprogramming of several construction works in Spain and abroad, with substantial effects on the outcome thereof due to clients' non-fulfilment of their commitments and FCC Group's continuous efforts to meet those commitments.

How the control systems operated and response plans:
In this situation, FCC Group carried out several actions to optimise the costs to a maximum at each of the facilities, in an effort to adapt to the new deadline commitments, claiming whatever was required from each one of the clients in every case. On the other hand, our trade relationship with our clients made it possible to reach an understanding.

- **Risk that materialised in the year:** Delayed payments by certain public-sector clients for the provision of urban environmental services and for construction works executed in Spain.

Underlying circumstances:
Both the entry into force of the Organic Law on the control of trade debts in the Public Sector, so that invoices are paid meeting the legal payment terms, and the new financing plan approved in 2013, effective in the first quarter of 2014, allowing to pay suppliers and cancel due liabilities yet to be paid, made it possible to bring down the effects of this risk.

How the control systems operated and response plans:
The permanent monitoring and control committees remain in place in order to minimise the volume of generated assets, thereby reducing the associated financial cost and consolidating the gradual reduction in the future. All of this has allowed a substantial reduction of the average payment period by those clients in Spain throughout 2014 that will continue in 2015.

- **Risk that materialised in the year:** Cut-backs in investments forecast by Public Administration bodies.

Underlying circumstances:
As a consequence of the current economic and financial crisis, there have been cuts and investment restrictions for the construction of infrastructures in Spain.
Budget adjustments required due to the implementation of the Budget Stability Act have led to reviews of services rendered to levels sustainable according to clients' budget availability.

This has led to a lower demand for cement, with a significant decline of sales and EBITDA.

How the control systems operated and response plans:
This situation has been mitigated by selective increased presence abroad and by incorporating new contracts, focusing on a few select territories and complex civil works with high added value, with a growth of the portfolio of works abroad.

The continuing sales relationship with clients involved has allowed for the modulation of the services rendered without losing orders and market share in Spain has been maintained.

Also, a new restructuring plan was implemented in 2014 in the cement area that is managing to adjust the operating and production capacity.

- **Risk that materialised in the year:** Country risk. Existence of certain unstable geographic markets.

Underlying circumstances:
The existence of certain unstable geographic markets in which FCC Group operated led to an ongoing re-planning of works abroad, with a negative impact on the Group's financial statements.

How the control systems operated and response plans:
During the last few years FCC Group has carried out a thorough strategic, operational and financial reorganisation in the markets where these risks materialised, aimed at mitigating those risks.

In this way and as part of the Group's strategy that started in 2013, a selective increase of the Group's presence abroad is being carried out, incorporating new contracts and focusing on a few select territories and in complex civil works with high added value.

- **Risk that materialised in the year:** General decline of activity.

Underlying circumstances:
The current financial and economic crisis has caused a widespread decline of economic activity, which has reduced the turnover but has not affected the market share in the sectors where the Group operates.

How the control systems operated and response plans:
In light of this situation, FCC Group took several measures to adapt its production capacity to the market situation, getting ahead of possible greater adverse effects on its financial statements. These measures had to do with personnel and with the restructuring of assets and divestments.

- **Risk that materialised in the year:** Impairment of intangible assets.

Underlying circumstances:
FCC Group in the United Kingdom carries out landfill management business through its subsidiary FCC Environment, and this investment was impaired in 2014. The main cause of the impairment is the application of the European regulation on the dramatic reduction of waste to be eliminated through landfills, with the introduction and gradual increase of a Landfill Tax, as well as institutional support for alternative recycling, processing and elimination means (mainly incineration) to the detriment of landfills. There has also been a reduction of the total volume of waste generated as a consequence of the economic crisis.

How the control systems operated and response plans:
FCC Group has reflected the impact of this situation on its financial statements, recording write-offs in the value of the assets affected in September 2014. Additionally, from time to time it appraises the assets that still have value, in order to be able to identify future fluctuations in their value, and consequently adopt measures to maximise the value of those assets.

E.6. **Explain the response and monitoring plans for the Company's main risks.**

One of the major risks for FCC Group over recent years is the inherent risk related to the construction business both in Spain and abroad. In this respect the response plans established by the Group are part of a global restructuring process for the construction business, and were as follows:

- Domestic construction: Adjustments of the production means to the actual needs of the market, preventing the impairment of returns:
  - Adaptation of headcount to the current market situation.
  - Reduction of the sales structure adapting it to the current market situation.
- International construction: Returns are boosted by focusing on specific territories, selecting the most profitable works and markets, as well as building up the industrial business in select territories. In addition to this, just like in Spain the sales structure is being reduced, adapting it to the current market situation.

Regarding the risks affecting the Environmental business unit:

- Headcount for the contracts have been fully adapted to the new service requirements.
- With the completion of the last supplier payment plan in the first quarter of 2014, low and stable trade debt levels have been attained and it is even expected that they may be improved with the entry into operation of the electronic invoice and the entry into force of Royal Decree RD 635/2014, developing the method for calculating the average payment term of public administrations and the conditions and procedure for retaining funds from financing systems.
- Local administration and town council budgets have stabilised, which will undoubtedly enhance the stability of the contracted services. Further cuts are no longer expected.
- Improvements are expected in terms of the decline in consumption due to the slight recovery of the economy, which will prevent loss of business in waste collection contracts where the fee is established according to the volume of waste that is generated—this is directly linked to consumption.
- In relation to the risk of delays in the approval of dossiers and successive regulatory changes in respect of price revisions, the Group is permanently monitoring the dossiers and contacting each client to solve any doubts that may arise.

In relation to the risks that have affected the Water business unit:

- In order to mitigate the potential stagnation of the domestic market, steps have been taken in order to intensify our presence in the international market, to which end the target markets have been identified and human resources have been restructured (support, sales development and production staff) according to the needs of the identified markets. The selected target markets try to mitigate the problems that have arisen in connection with social opposition to the privatisation of the management of municipal water services, aside from valuing the competitive advantages, basically as a result of FCC Aqualia's capacity to cover all the activities included in the integrated water cycle (design, construction, maintenance and operation).

In addition, technology development lines have been strengthened through the R&D+innovation Department in the areas of sustainability, quality and smart management, with the goal of improving the Company's competitiveness in the local and international markets.

At the same time, the presence in Spain of (domestic and international) employers' organisations and media has been strengthened in order to communicate the (technical and economic) advantages of having a private-sector company take part in water management.

- With the goal of not worsening the returns on our projects, in terms of sales, the new offer criteria require greater safety margins in terms of guaranteeing the project's IRR. In this respect, projections on annual demand, both in terms of provisions and population serviced are considered as having a flat growth rate.

  As far as costs are concerned, the following initiatives have been implemented, among others:

  - Cost-reduction programme in the supply of electric power, including a revision of contracting conditions, implementation of a new software application and of new developments generated by the R&D+i Department.
  - Programme to reduce absenteeism by implementing a software application and developing preventive culture projects and the workplace Health Charter. At the same time there will be a revision of hiring methods and of the production structure domestically.
  - Programme to optimise operations by establishing central warehouses, reducing materials left in deposit and costly parts with low turnover rates.
  - Programme to reduce the cost of managing the fleet of vehicles by implementing a software solution contemplating geolocation and control of the associated maintenance costs.

- With the goal of mitigating possible risks in the operation of water supplies for human consumption, work has commenced to identify critical infrastructures according to the criteria established by the Public Administration, in collaboration with the Spanish Water Operators Business Association.

  Programme to restructure the activity of accredited and certified laboratories in quality control of water, adapting their performance to the new demands of EU directives, optimising the equipment replacement investments and increasing the capacity to conduct analyses.

Additionally, and with a bearing on all the areas in FCC Group:

- Since early 2014, the Management Control Department prepares a monthly monitoring report detailing the major relevant events by business area and at Group level, explaining the most significant variations in the month. This monthly report is sent to the CEO and the members of the Management Committee. Also, twice a year the Management Control Department coordinates the update of the annual budget to anticipate any deviations in terms of returns, cash generation, debt and identified risks. This Department focuses on planning and control alike.

- FCC Group is in the midst of a process to improve the Integrated Risk Management Model that will allow it, once it is fully operative, to react in anticipation of the materialisation of major risks, mitigating their effect. This model will make it possible to establish specific response plans whenever there are foreseeable deviations in the compliance with the strategy, classified by risk materialised, studying the cause of the materialisation of each one of the risks and the existing control environment in each case. This process is being coordinated by the FCC Group's General Internal Auditing and Risk Management.

  The remaining response plans carried out by FCC Group for each of the risks materialised in 2014 are set out in the preceding section E. 5.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms in the control and risk management systems in relation to the financial reporting process (ICFR) at your company.

F.1. The Company's control environment.

Indicate at least the following, specifying the main characteristics thereof:

F.1.1. The bodies and/or functions responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) the implementation thereof; and (iii) supervision thereof.

The bodies and functions that are responsible within FCC Group for the existence, maintenance, implementation and supervision of an adequate and effective ICFR, and the responsibilities attributed to these bodies, are the following:

Board of Directors

As set out in article 8 of the Rules of the Board of Directors of FCC, S.A., the Board is ultimately responsible for the approval of the Company's general policies and strategies and, in particular, for the risk management and control policy, identifying the main risks of the Company and implementing and monitoring the suitable internal control and reporting systems, with the purpose of ensuring its future feasibility and competitiveness by adopting the most relevant decisions for the better development thereof.

Executive Commission

As set out in article 40 of the Rules of the Board of Directors of FCC, S.A, the Board may permanently delegate to the Executive Commission all of the powers pertaining to the former, except those which are reserved to the Board by the Law, the Articles of Association or the Rules of the Board of Directors.

In addition, just like the Board, the Commission ensures that the organisational structure of FCC Group, the planning systems and the management processes of the operations are designed to face the various risks to which it is exposed in the course of business.

The Board of Directors shall designate the Directors who are to make up the Executive Commission, ensuring that the share structure of the different director categories is similar to that of the Board itself.

The functioning of the Executive Commission is determined in article 36 of the Articles of Association of FCC.

Audit and Control Committee

The Rules of the Board of Directors of FCC establish, in article 41, the incorporation of a permanent Audit and Control Committee, made up by a minimum of three Directors, appointed by the Board of Directors taking into account their knowledge and experience in the field of accounting, auditing or risk management. All members will be external non-executive Directors and the committee will name a Chairman among them who will hold the position for a maximum period of four years, and they may also choose a Vice-Chairman.

The fundamental function of the Audit and Control Committee is to support the Board of Directors in its monitoring tasks, by reviewing, from time to time, the process of preparing economic and financial reports, the internal controls and the independence of the external auditor.

In particular, by way of illustration only, and notwithstanding any other tasks with which it may be entrusted by the Board of Directors, the Audit and Control Committee will be responsible for:

- Supervising the Company's internal auditing services, which see to the proper functioning of the reporting and internal control systems, and the head of the internal auditing function is under the obligation to submit the annual work plan to the Committee and to directly report any incidents arising in the development thereof, as well as submitting a report on its activities at the end of each year.

- Analysing and submitting the risk management and control policy to the Board for approval, identifying at least:

  - The different types of risks that the Group faces, including, among others, financial and economic risks, contingent liabilities and other off-balance sheet risks;
  - Establishing the risk level that the Company deems acceptable;
  - The measures provided to mitigate the impact of the identified risks in the event they materialise;
  - And the reporting and internal control systems that will be used to control and manage said risks, including contingent liabilities and off-balance sheet risks.

- Supervising the process of preparing the individual and consolidated financial statements and management reports, and the financial reports disclosed to the markets from time to time, ensuring the compliance with the legal requirements and the proper application of generally accepted accounting principles, informing the Board of Directors prior to its adoption of the following decisions:

  - The financial reports which the Company, owing to its listed status, must disclose from time to time, ensuring that the interim financial statements are drawn up with the same accounting criteria as annual financial statements and, for such purpose, it must consider whether a limited review by the Company's external auditor is appropriate;
  - And the creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, owing to their complexity, might detract from the transparency of FCC Group.

- In relation to the reporting and internal control systems:

  - 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;
  - Reviewing from time to time the internal control and risk management systems, so that the main risks are identified, managed and adequately disclosed, following up on the Risk Maps and the action plans that are necessary to mitigate the most relevant risks that are identified, among which are those arising from the Internal Control over Financial Reporting.

Steering Committee

The Steering Committee in 2014 has been presided over by the Second Vice Chairman and CEO of FCC Group and it is made up by all of the members appointed by the Board of Directors in full session. Its functions related to the Internal Control over Financial Reporting include the monthly review of the financial reports of the consolidated FCC Group, most importantly in periods when said reports are to be filed with the Spanish Securities Exchange Commission (CNMV). As from 13 January 2015, the Group's Steering Committee was replaced by business area steering committees and by a Central Services Coordination Committee.

General Administration Management

The General Administration Management performs the following functions related to the Internal Control over Financial Reporting:

- Coordinating the administration of the different areas, establishing the administrative processes and procedures generally applied in the Group and promoting the uniform application of the accounting and tax policies.
- Defining and issuing the accounting standards applied in the Group.
- Drawing up and supervising the consolidated accounting and management reporting.
- Developing the accounting and tax management of FCC, S.A. and its subsidiaries not allocated to the operating areas.
- Drawing up the Group's consolidated financial statements.
- Defining and publishing the tax criteria that are generally applied to FCC Group, both individually and at the consolidated group level.
- Advising the different areas in tax matters and taking part in solving any matters brought up by them.
- Preparing the Tax Group's consolidated corporate income tax statement.

- Designing and publishing the procedures, documents and software applications generally used in FCC Group, for accounting and tax purposes.
- Advising the different areas in terms of procedures and taking part in solving any matters brought up by them.

General Finance Management

The General Finance Management is entrusted with the centralised management of FCC Group's finances. This entails the centralised financial management of the following aspects: financing the Group's activities, managing the Group's debt and financial risks, optimising the cash and financial asset management, the financial control and management of the Group, relations with investors, the Stock Exchange and the CNMV, analysing and financing investments, the management, monitoring and control of bonds, guarantees and insurance.

Management Control Department

As from June 2014, the Management Control Department, which until then depended on General Finance Management, reports directly to the CEO. This shift in terms of hierarchical dependence is due to the need to boost the Management Control systems.

This department includes the functions of Management Control, Budget and Financial Planning Control, which is in charge of the following functions:

(i) coordination and preparation of the Annual Budget;
(ii) definition and implementation of various scorecards and key indicators to support the Group Management in its decision making; and
(iii) review and validation from time to time of the contract portfolio and the current offers to ensure that, in both cases, the criteria established by the Steering Committee in terms of margin, cash generation, return on investment and risks are fulfilled.

General Internal Auditing and Risk Management

The purpose of the General Internal Auditing and Risk Management is to provide the Board of Directors, via the Audit and Control Committee, and the Senior Executives of FCC Group, with whom it actively collaborates, with the effective supervision of the Internal Control System, by exercising a unique and independent supervision function aligned with professional standards, contributing to Good Corporate Governance, verifying the proper compliance with applicable regulations, both internal and external, and reducing to reasonable levels the possible impact of the risks attached to achieving FCC Group's objectives. (Additional information included in section F.5.1).

In June 2013, the General Internal Auditing Management incorporated Risk Management, which until then was part of the General Administration and Information Technology Management, to its functions, with the following responsibilities and functions in the field of corporate risk management:

- Identifying the risks that the Company faces, according to their status as potential threats to achieve the organisation's goals.
- Proposing the procedure that is considered adequate for monitoring and controlling those risks and especially, those with preferential monitoring.
- Establishing the mechanisms for communicating from time to time the evolution and monitoring of the identified risks.

The results of Continuous Risk Management are communicated to the Auditing Committee, the highest body responsible for supervising the Group's Risk management, as set down in the Regulations of the Group's Board of Directors.

In this respect, during 2014, in order to ensure compliance with the best practices in this area (COSO), FCC Group's General Internal Auditing and Risk Management supervised the work performed by the different business areas in the process of developing and evolving the Integrated Risk Management Model that FCC Group is currently working on. Special attention has been used to supervise improvements related to the identification and evaluation of risks, the adequate identification of the existing control activities and the identification of the most effective risk materialisation indicators.

During 2015, advancing in the improvement of that model, it is scheduled that, for risks exceeding the Accepted Risk [level] in each of the business areas, the General Internal Auditing and Risk Management shall supervise the establishment of the necessary action plans with possible corrective measures to ensure that critical risks are within the Accepted Risk thresholds. These action plans shall include the necessary measures to reinforce existing controls or to incorporate new controls.

One of the goals sought by incorporating these improvement measures is to ensure the establishment of specific response plans in anticipation of the materialisation of critical risks, thereby ensuring compliance with the accepted risk level established in FCC Group's strategy.

Additionally, work will also be done to prepare a high level Risk Management Policy, as well as to update the specific procedures to carry out Risk Management in each of the business areas, to ensue both compliance with the Model and active participation in any decision-making process within the organisation.

General Organisation Management

The General Organisation Management, established in June 2013, takes on the remit of the Human Resources (hereinafter HR), Information Systems and Technology Risks Management, and Aggregate Purchases Areas.

HR's mission in FCC seeks to favour and boost the development of individuals, communication and a good working environment climate, in line with the Company's strategic goals and policies, via the efficient management of HR specialised services, in a context of diversity and internationalisation. Its functions include establishing the policies, strategies, rules and general bases for selecting, hiring, training, employing, developing and empowering people in our organisation, all aligned with the company's general strategy and that of its different business areas. The basic goal of this function is to create the necessary environment to attract, manage, motivate and develop the best professionals, which requires:

- Developing and optimising key people management policies and processes.
- Achieving a high efficiency level in the HR function.
- Favouring and boosting the creation of a highly participative, attractive and competitive working environment.

The Information Technologies and Systems' Division, hereinafter the ITS, guarantees suitable technology support for the Group's management processes, optimising the management of the necessary resources and service level for users, ensuring the confidentiality and integrity of information systems. The action model is geared to FCC Group achieving its strategic goals via two lines:

- Operating efficiency in the performance of all of its activities.
- Support for FCC Group's internationalisation, deploying the necessary IT applications and services based on solid infrastructure, in the countries where FCC has a productive presence.

The main functions of ITS are:

- Managing the Group's technological resources and keeping them updated.
- Defining the business process information needs and setting priorities with users.
- Guaranteeing that systems are suited to the management information needs.
- Supporting projects for improving the business processes for which the division is responsible.
- Guaranteeing that users have adequate technology support.
- Implementing the proposed safety measures to guarantee the confidentiality, integrity and availability of information systems.
- Managing the area's suppliers.

Additionally Information Security and Technology Risk Management is responsible for Information security and for managing risks related to the processing of FCC Group's information assets.

The mission of this division, created in December 2005, is to foster Information Security, promoting corporate governance by means of adopting the most highly accredited international security standards. This goal will be sought by implementing an Information Security Management System (ISMS) according to ISO 27000. In this model, the Risk Analysis of the information assets administered by FCC Group assumes a relevant position, as an evaluation item prior to the deployment and management of risk mitigating measures.

Information Security and Technology Risks Management is integrated in the ITS organisation chart with the following functions:

- Preparing on a triennial basis FCC Group's Information Security Strategy Plan and to follow up on compliance thereof from time to time.
- Coordinating with the FCC Information Security Committee and supporting it in the performance of its functions, as well as setting the common strategies on the security of assets for all the Group's business division committees.
- Defining the Corporate Information Security Policies and checking from time to time that they are being met.
- Establishing the Risk Analysis and Management guidelines and defining the method to be applied.
- Coordinating with the different Business Areas to ensure Regulatory Compliance in the field of Personal Data Protection.
- Defining and implementing Internal Controls to verify the proper compliance with the corporate information security policies.
- Reviewing from time to time the efficacy of the Information Security Management System, as well as measuring the efficiency of the Internal Controls that are implemented.
- Performing internal audits of the Information Security Management System according to planned intervals.

The goal of Aggregate Purchases is to provide a purchase service satisfying internal customers and contributing to increase FCC's negotiating capacity, in keeping with principles of the Strategic Plan and the Group's general policies.

F.1.2. State whether any of the following elements exist, in particular in relation to the process of preparing financial reports:

- **Departments and/or mechanisms entrusted with: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of authority and responsibility, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures are in place for their proper dissemination in the company.**

As defined in the Regulations of FCC's Board of Directors, the design and review of the organisational structure and the definition of the lines of authority and responsibility is done by the CEO supported by the Steering Committee, and it is ratified by the Board of Directors.

The Rules of the Board of Directors define the responsibilities attributed to each of the Board commissions, together with the organisational structure of each commission.

The CEO and the Steering Committee determine the distribution of tasks and functions, ensuring that everyone's powers are adequately known, in order to ensure that there is a proper separation of functions and efficient communication between them, including those related to personnel involved in the drawing up of the Group's financial reports.

The Appointment and Remuneration Commission proposes the appointment of senior executives with the profile best suited to their tasks and functions. Additionally, it is in charge of overseeing the observance of the remuneration policy established by the Company and, in particular, it proposes the remuneration policy for Directors and senior executives to the Board of Directors.

The process to determine the organisational structure is regulated by the Group's General Standards Manual in section 10 "Organisational Structure," which regulates the Bodies directly reporting to the Board of Directors, the distribution of the Group's management functions and the Appointment of Senior Executives.

The Chairman/CEO is entrusted with defining the lines of responsibility and authority and each Corporate Department must define its organisational structure and its lines of responsibility.

On the other hand, the Human Resources area is in charge of updating and reviewing, with the support of the relevant departments, both the Group's organisational structure and its organisation chart. The detailed organisation chart of all the Group functions is published on the Company intranet.

In this respect, the Human Resources area is developing a project to modernise the reporting and human resources management system. The implementation at a domestic level was completed in 2014 and a study has commenced for the implementation of the HR management and information system internationally. Among other goals, this project is meant to clearly define the organisational structure and the lines of responsibility in order to optimise the distribution of tasks and functions.

In addition, the Communication and Corporate Responsibility Department, which directly reports to the vice-president and CEO, groups together all the functions related to the Group's external and internal communication, both in Spain and in its international companies, institutional relations, brand and corporate image management, advertising and CSR policies, and it is responsible for establishing the procedures for the proper dissemination of the organisational structure and the lines of responsibility.

- **Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific references to the recording of operations and the preparation of financial reports), body in charge of analysing breaches and proposing corrective actions and penalties.**

FCC Group has a Code of Ethics, the latest version of which was approved by the Board of Directors on the 27 February 2012, regulating the principles that must guide the Group's conduct and the relations between Group employees and the relations between employees and the rest of their stakeholders groups. Compliance with the Code of Ethics is compulsory for all Group personnel and third parties who voluntarily accept its implementation.

FCC Group has currently set up a working group to update the Code of Ethics, with the goal of improving it and adapting it to the best practices in the market in this field.

The FCC Group Code of Ethics is a tool to guide actions in corporate, environmental or ethical issues of particular importance. The guidelines for conduct set down in the Code of Ethics refer to basic behaviour principles, relations with and between employees, internal control and fraud prevention, commitment with the market, the company and the community.

The FCC Group Code of Ethics includes a chapter that is closely related to control over the preparation of financial reports called "Internal control and fraud prevention," which deals with the following topics: "Manipulation of information", "Use and protection of assets", "Protection of Intellectual and Industrial Property", "Bribery and Corruption" and "Money laundering and irregular payments".

FCC Group communicates and disseminates the Code in the Company, so that all of the employees are aware of it. As part of the update and review of the Code of Ethics, work is being done to get all the employees in the Group to accept and be committed to compliance with the Code of Ethics in the development of their functions, as well as extending it to suppliers and clients. The Code of Ethics is also published on the Group's corporate website so that anyone can access it.

The welcome course for new employees, prepared by Human Resources, includes specific training on the Code of Ethics, among other matters.

As a result of the incorporation of criminal liability of legal persons to the Spanish Criminal Code in 2010, the Board of Directors, by creating a working group made up by the General Internal Auditing Management, the General Legal Counsel Management and Risk Management, with the collaboration of KPMG, decided to carry out a comprehensive study of the identification of the controls needed to mitigate the risk of employees committing any of the crimes incorporated following the reform.

As a result of this process, FCC Group has a Crime Prevention and Response Manual that defines the response protocols in the event of a criminal offence.

In addition, in light of the current reform of the Criminal Code in this same matter, the General Internal Auditing Management and Risk Management have been working during 2014 and since the approval in September 2013 of the Criminal Code Reform Bill, closely monitoring the evolution of the amendments contemplated in that Bill and the repercussions for legal persons, with the goal of adapting both FCC Group's Prevention and Response System and its control environment.

Among other aspects, the following has been analysed:

- The changes it represents in terms of the liability of senior executives, the administrators and directors, in keeping with the reform of the Capital Companies Act.

- The growing importance of the Crime Prevention and Response Systems and their integration in the Corporate Compliance programmes.
- Requirements regarding the supervision of the functioning of those programmes by an independent body within the organisation entrusted with overseeing the control environment.
- The new types of offence from which legal person liability arises.
- The extra-territorial nature of some types of offence.

In addition, the international nature of FCC Group has required the analysis of requirements regarding corruption, bribery and money laundering established by international bodies and by some of the main countries where FCC Group develops its activities.

Likewise, during 2014 the review and update of the Crime Prevention and Response Manual is being studied, with a triple objective:

- The incorporation of the new developments in the draft Criminal Code Reform.
- Adapting it to the new organisation model and the redefinition of functions.
- The incorporation of the changes arising from the implementation in the near future of a tool to support the Whistleblowing System.

In respect of the last item, during 2014 progress has been made in the definition, development and implementation of a tool to support the Whistleblowing System, which makes it possible to guarantee that the reports received through the channels established in the Crime Prevention and Response Manual are managed according to what is established in the manual, guaranteeing confidentiality and the traceability of information and that all actions carried out are documented, in turn guaranteeing that the legal requirements established in the Data Protection Act (LOPD) are met.

The Audit and Control Committee, pursuant to article 41 of the Rules of the Board of Directors, has the following remits, among others:

- Receiving information from time to time from the Response Committee and from the General Internal Auditing and Risk Management, respectively, on the development of their activities and the functioning of the internal controls.
- 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 persons subject to said codes and rules of governance comply with their reporting obligations to the Company.

The people in connection with the Code of Ethics are under the obligation to report any breaches thereof, and for said purpose they can use the established ethical channels and procedures confidentially, in good faith and without fearing retaliation. FCC Group has established a general reporting procedure for matters related to the Code of Ethics, which is described in the "Whistleblowing Channel" section. The body in charge of analysing possible breaches is the Response Committee, which also establishes the system to propose corrective measures and, if it considers it necessary, penalties. This Committee reports to the Chairman of the Audit and Control Committee.

On the other hand and in a supplementary manner, in September 2014 FCC Group's Fiscal Code of Conduct was approved, with the goal of clarifying the policies, principles and values that must guide actions in the field of taxation within FCC Group.

This code states that employees with responsibilities in FCC Group's tax area must comply with the following obligations:

- Abide by the tax regulations applicable in each jurisdiction, based on sufficiently reasoned and reasonable interpretations and sufficiently proven facts.

- Respect FCC Group's "Tax Area Control Framework rule", as well as the specific procedures for communication, action and review in the tax area.

- Ensure that the relevant tax decisions are overseen by the Group's senior management and that they are duly supported, based on a global and integrating approach that takes into account the various business figures and the possible risks that are assumed.

- Develop and foster a relationship of transparency and mutual trust with the tax authorities in each country.

- Actively participate in the tax forums of employers' associations and international organisations of which FCC Group is a member, with a view to proposing specific tax measures focused on achieving a fairer and more harmonised tax system, both for the Group and for society at large.

- **Whistleblowing Channel, which allows financial and accounting irregularities to be reported to the Auditing Committee, as well as possible breaches of the code of conduct and irregular activities within the organisation, stating, as the case may be, the confidential nature thereof.**

FCC Group has a procedure in place which allows individuals to report, in a confidential manner, any actions which represent inappropriate behaviours or actions in the light of the Code of Ethics.

A specific Response Committee has been set up whose functions are to ensure the proper functioning of the communication channel that has been established, valuing possible improvements of the controls and systems established by the Company, processing communications so that they can be solved, promoting the awareness of the Code of Ethics, and regularly preparing reports on the level of compliance thereof.

The Code of Ethics allows individuals to communicate, confidentially and in good faith, and preferably in their own name, any observed actions that are contrary to the Code of Ethics. The communication routes forming the basis of the Whistleblowing Channel are:

- An html page in the Group's Intranet: internal communication channel.
- A postal address: Apdo. de Correos 19312, 28080-Madrid, managed by the Chairman of the Response Committee.
- Email addressed to comitederespuesta@fcc.es, managed by the Response Committee.

In order to guarantee the confidentiality of the whistleblowing channel, communications are received centrally by the General Manager of Internal Auditing and Risk Management, the General Manager of Organisation, the General Manager of Legal Consultancy and the Director of CSR, who are the members of the Response Committee, the body in charge of this procedure. As mentioned in the preceding paragraph, a tool is under development that will improve the Whistleblowing System.

The Response Committee values the admissibility of the communication that is received, according to a preliminary review of its contents, placing on record the reasoned decision it makes. In any case the documentation that is generated shall be filed, pursuant to both the internal regulations for its functioning and the Data Protection Act, and if the case is accepted, a file will be opened, the contents of which will be included in the Whistleblowing Management System.

- **Training and periodical refresher programs for the personnel involved in the preparation and review of financial reports, and in the evaluation of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.**

Training at FCC is not a social benefit but rather it is a tool to help the Company grow, and enables employees to grow with it. The main goals of training at FCC are:

- To obtain better performance and efficiency from personnel in the performance of their functions and the functioning of the Company.

- To achieve the personnel's career development goals (improving their employability).

FCC's General Administration Management and the Human Resources area jointly develop training plans for all the personnel involved in the preparation of the Group's Financial Statements. This Plan includes the permanent updating of the regulations affecting financial reporting and internal control in order to guarantee the reliability of the financial reporting, providing professionals at FCC with the necessary know-how and tools to optimise financial decision-making at all levels and in all the departments, developing their analytic capacity and their understanding of the impact of business decisions on the Company's financial statements.

In 2014, as part of the Crosscutting Training Plan, the Management School included training for the management team in Corporate Finance, Economic Environment, Financial Management, Business Law, Sales and Marketing Management, Financial Management, Analytical Accounting, Technology and Innovation, Human Resources Management, Operations Management, Planning and Control Management, Taxation, Business Strategy, International Management, Mergers and Acquisitions, Business Protocol for Senior Executives, International Business Protocol for Senior Executives, Senior Management Scorecards.

Also the Corporate Processes School includes training for middle managers, technical staff and qualified workers, mainly in Business Assessment, Valuation, monitoring and financial control of investment projects, Payment means for international trade and the accounting treatment, Foreign Trade Finance, Corporate Income Tax, Value Added Tax (VAT), International Taxation, Financial Derivatives, Accounting, Consolidation of Financial Statements, International Financial Reporting Standards (IFRS), Management Control, Risk Management, Scorecards as a Management Tool, Risk management in international engineering and construction projects, Law for non-legal personnel, Project Finance, Public Sector Contracts Management, Practical use of FIDIC contracts, Managing claims and resolving disputes in FIDIC contracts, International Contracting for Lawyers, International engineering and consultancy contracts, Handling claims in the private contracting of international engineering and construction projects, New technologies Law, Innovation manager, Communication and CSR Management, HR Management, Remuneration and benefits in Human Resources, Promotion and Management of Equality and Non-discrimination, Managing cultural change in relation to international diversity and integrating people, etc.

During the year 2014, 375,826 training hours were provided, the majority externally, of which 16,754 hours (4.45%) were for acquiring, updating and recycling economic and financial knowledge including accounting and auditing standards, internal control and risk management and control, as well as other regulatory and business aspects that must be known for the suitable preparation of the Group's financial reports, benefiting approximately 748 people.

F.2. **Evaluation of financial information risks.**

Report, at least, on:

F.2.1. **What are the main characteristics of the risk identification process, including error or fraud, in respect of:**

- **Whether the process exists and is documented.**

The Group is currently in the process of improving and evolving its Integrated Risk Management Model, in order to face the financial reporting and other risks to which its activities are exposed in the most effective manner. The evolved model will enable the development of an integrated Risk Map using Enterprise Risk Management (Coso II) methodology, which when running at full capacity provides senior executives with valuable information and contributes to the definition of the Group's strategy.

For this purpose the risk maps of each business area have been prepared. Given the uniqueness of the different business areas, each one is responsible for its risk management, and then the Group's consolidated risk map is drawn up using the information that is reported, integrating the specific risks of financial information into the Group's corporate map.

FCC Group's risk model is described in the Risk Management procedure, as part of the Management Systems of the various business areas in the Group that are currently being adapted to the above-mentioned improvement processes.

These risk maps take stock of the identification of the main risks of the business areas, together with the controls established by Management to mitigate the effect of said risks and the assessment, in terms of likelihood of occurrence and their impact on the financial statements of the area being analysed. Therefore, with support from the risk managers in the different business areas, acting as 'risk management coordinators', the Group's Management is being guided in a process of redefining and improving those risks, including the risks related to financial reporting and the preparation of those reports, both in terms of the definition and the allocation of responsibilities in risk management in the field of operations and in the preparation of procedures and methods, which include:

- Identifying the key risks for FCC Group according to the potential threat they represent for achieving the objectives of the organisation.
- Evaluating risks. The risk assessment scales are defined according to their potential impact in the event they are materialised and their probability of occurrence.
- From time to time, the management of each business area analyses, together with the General Internal Auditing and Risk Management, what risks have materialised in each of the Group areas, reporting it to the Audit and Control Committee.

Additionally, and once the model has been fully implemented, for risks exceeding the accepted risk level for each of the sectors of activity, the necessary action plans are established with the possible corrective measures to ensure their critical levels fall within the accepted risk level. These action plans include the necessary actions to reinforce existing controls and they may even incorporate new controls.

Likewise, specific procedures shall be implemented to document risk management in business decision-making and the identification and reporting of internal control risks procedure will be specifically documented.

From time to time, the identified risks are monitored in each business area. This process of identifying and monitoring risks is carried out for all the Group's risks, particularly including the risks arising from the reliability of high-level economic and financial reporting.

Regarding the risks arising from the Group's criminal responsibility, in particular the risks of error or fraud that are considered in the Criminal Code, a preventive identification of risks has been carried out with controls to mitigate them, as well as how to respond to those risks.

As a result of the incorporation of criminal liability of legal persons to the Spanish Criminal Code in 2010, the Board of Directors, by creating a working group made up by the General Internal Auditing Management, the General Legal Consultancy Management and Risk Management, with the collaboration of KPMG, decided to carry out a comprehensive study of the identification of the controls needed to mitigate the risk of employees committing any of the crimes incorporated following the reform.

The following work was carried out:

Study of the FCC Group internal control general framework: components of the control environment, risk management, control, reporting, communication and supervision activities; the working group especially focuses on all the existing protocols on the use of information technology at FCC and on its policy on the use of technological means and its IT security policies, including among others:

- Identification of the relevant crimes that may be applicable in FCC Group's business environment, especially in the fields of ethics and integrity, segregation of functions, and authorisations of payments, among others.
- Assessment of the risk of each of the identified behaviours materialising, in terms of impact and probability.
- Identification and setting priorities regarding the main controls and actions aimed at preventing, detecting, publishing and correcting said behaviours.
- Evaluation of the strength of the controls and key actions.
- Identification of areas of improvement for the management of the risk of crimes being committed and the establishment of specific action plans.

As a result of this process, FCC Group prepared a Crime Prevention and Response Manual, which also defined the response protocols in the event of offences or crimes.

In addition, considering the current reform of the Criminal Code in this matter, the General Internal Auditing and Risk Management has been working since the Code was approved in September 2013 and throughout 2014 on the Criminal Code Reform Bill, strictly monitoring the evolution of the amendments contemplated in that Bill and their amendments on legal persons, with the purpose of adapting the FCC Group's Prevention and Response System and its control environment.

The following aspects have been analysed, among others:

- The changes it represents in respect of the responsibilities of senior management, administrators and directors, in keeping with the reform of the Capital Companies Act.

- The growing importance of Crime Prevention and Response Systems and how they are integrated within Corporate Compliance programmes.
- Requirements for overseeing the functioning of these programmes by an independent body in the organisation entrusted with the function of supervising the control environment.
- The new types of offence leading to liability of legal persons.
- The extraterritorial nature of some types of offence.

In addition, FCC Group's international nature has made it necessary to analyse the requirements regarding corruption, bribery and money laundering of international bodies and of some to the main countries where FCC Group develops its activities.

Likewise, during 2014 the review and updating of the Crime Prevention and Response Manual was studied, with a triple goal:

- The incorporation of the new developments in the Criminal Code Reform Bill.
- Adapting it to the new organisation model and redefining functions.
- Incorporating the changes arising from the implementation in the near term of the Whistleblowing System.

During 2014 progress was made in the definition, development and implementation of a Whistleblowing System, guaranteeing that the reports received through the channels established in the Crime Prevention and Response Manual are managed according to what is provided in that manual, guaranteeing the confidentiality and traceability of information, as well as the documentation of all the actions carried out, in turn guaranteeing the various legal requirements under data protection (LOPD).

In summary, the main characteristics that will define the Integrated Risk Management Model in FCC Group, once it is fully implemented, will be the following:

- Preventing and controlling the risks that may affect achieving the goals set by the Group;
- Ensuring compliance with the legal regulations in force and with the Group's standards and internal procedures;
- Guaranteeing the reliability and integrity of the accounting and financial reports.

- **Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; assessment; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.**

The operational risks identified in the risk map include the risk of reliability of the economic and financial reports affecting each one of the business areas. For the global assessment of this risk, the risk of errors in the financial reporting in each of the business areas analysed, to cover all the objectives of the financial reporting, mainly the registration, integrity, cut-off of operations, homogeneity of the reports, validity and assessment, are generally considered.

Given the singularity and importance for FCC Group to adequately control these types of risks, during the year 2015 reporting risks will be incorporated as an independent category in the risk maps, separately from operating risks, improving the documentation and traceability of the controls mitigating the risks associated to the reliability of the financial information generated in the different business areas, which is consolidated at the FCC Group parent. These include the risks related to the generation of information and those related to the management thereof throughout the organisation.

- **The existence of a process to identify the consolidated group, taking into account, among other aspects, the possible existence of complex corporate structures, shell companies or special purpose companies.**

The Group has a register of companies that is permanently updated, which includes all of the Group's holdings, whatever their nature, whether they are direct or indirect, as well as any companies that the Group is able to control regardless of the legal form of said control, therefore including both shell companies and special purpose companies. This companies' register is managed and updated according to the procedures regulated by the Group's Economic and Financial Manual.

The Corporate Intranet includes an individual file for each company with all the relevant information on each of the companies: shareholders, company purpose, governing body, etc.

Each of the areas in which FCC Group is organised is responsible for the maintenance and updating of the scope of consolidation corresponding to its business area. The Consolidation and Accounting Standardisation Department keeps the database updated in the Corporate Intranet mentioned in the preceding paragraph, as well as the Economic and Financial Manual in relation to the list of the Group companies within the scope of consolidation, based on the data provided by the business areas. Additionally, controls are carried out from time to time on the proper accounting of the companies included in the scope of consolidation.

- **Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) to the extent they affect the financial statements.**

The risks associated to achieving the financial reporting objectives are an integral part of FCC Group's risk map, and therefore they take into account the effects of other types of risks.

In this respect, FCC Group's global risk management system, following the best business practices in this field and applying the Coso II method, has categorised risks as follows:

- **Strategic risks.** These are key risks for the Group and managing them is a priority. They include the risks related to the markets/countries/sectors in which FCC Group operates. They also include risks related to reputation, innovation, economic planning, definition of the structure and the objectives and the effectiveness of communication and the information flow.
- **Operational risks.** These risks are related to operations management and the value chain of each one of the business areas where the FCC Group operates. They include the risks related to bidding and contracting processes, the selection of partners, subcontracting and suppliers, labour risks, collection processes and customer satisfaction, as well as the risks that have an impact on the reliability of the financial reporting.
- **Compliance risks.** These are risks affecting internal or external regulatory compliance. They include risks related to compliance with the applicable laws (since 2010 the Criminal Code is incorporated to the extent that the criminal liability of legal persons is included, and before that risks regarding quality, the environment, information security, occupational risk prevention, etc.), performance of agreements with third parties, and the FCC Group Code of Ethics.
- **Financial risks.** Risks associated with the financial markets and with the generation and management of cash. Financial risks include those related to liquidity, cash management, access to financial markets, exchange rates and interest rates.

Applying FCC Group's Risk Management method, a Risk Materialisation Report (RMR) is drawn up for each Business Area. This report identifies the different types of risks that have materialised that the business area must face, the measures planned to mitigate the materialisation of the identified risks and the possible effect that such materialisation could have on the Group's financial statements, as well as the reporting and internal control systems used to control and manage those risks.

Every four months, these reports gather the information on the materialisation of risks, the consequences and the cost that they may represent for the Organisation if Management is unable to mitigate its impact. Among other aspects, it will include the following:

- Identification and description of the risk that has materialised.
- Reason and cause of the materialisation of risks.
- Economic impact that has materialised, been incurred or accrued, the effect of which has already been recorded on the organisation's financial statements and regarding which Management cannot do too much.
- Economic impact that has materialised and is yet to be incurred or accrued, the effect of which on the Group's financial statements may be mitigated by the business area Management or by establishing specific action plans. Said impacts are identified as deviations from the strategic plan in the planning tools of each one of the business areas.
- Control activities.

- Identification of failed controls.
- Risk materialisation indicators.
- Risk holders or people responsible for risks.

The Risk Materialisation Reports are received by the General Internal Auditing and Risk Management so that they may be analysed, and it issues the necessary guidelines in relation to the COSO II ERM method, so that Management may carry out the relevant actions.

At present, the Group's General Internal Auditing and Risk Management is guiding the business units to improve the process for the adequate identification of existing control activities under COSO, as well as to improve the most effective risk materialisation indicators.

- **What company governance body supervises the process?**

The financial reporting risk identification process is supervised by the Audit and Control Committee via the General Internal Auditing and Risk Management, as part of its function of supervising FCC Group's internal control and risk management systems, as provided in Article 41 of the Rules of the Board of Directors.

In the year 2014 the results of the overseeing of the Risk Materialisation Reports by the General Internal Auditing and Risk Management were reported to the Auditing and Control Committee.

F.3. **Control activities.**

Disclose, identifying the main characteristics, whether you have at least:

F.3.1. **Procedures for reviewing and authorising the financial reports and the description of the ICFR system, which are to be disclosed to securities markets, indicating who is responsible for these, as well as for the documentation describing all of the activities and controls (including those related to the risk of fraud) of the different types of transactions that may materially affect the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgments, estimates, appraisals and projections.**

As stated in the preceding section of this document, the Group is currently engaged in a process to improve the integrated risk management model, which allows it to appropriately face the financial risks as well as other risks to which its activities are subject.

This integrated risk management model is geared to the fulfilment of the four major categories of objectives established by said model:

- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Reliability of the financial reporting.
- Compliance with applicable laws and regulations.

This is how the objectives are related to the risks that could prevent the execution thereof and to the control activities necessary to ensure that the response to these risks is adequate and that the proposed objectives are reached:

OBJECTIVES → RISKS → CONTROL ACTIVITIES

The control activities are documented in the policies and procedures that are meant to ensure that the guidelines set by the FCC Group management are complied with, and that the necessary steps are taken to face any risks jeopardising the achievement of the Group's objectives. The control activities are carried out in any part of the organisation, at all levels, in all of the functions, and they comprise a number of very different activities. The Company personnel use the application systems and other resources established to ensure that the control objectives are achieved and that the risk mitigation strategies are executed.

FCC Group has control activities implemented both centrally and in each of the business areas, such as to mitigate the risks included in the risk maps indicated under 2 above. These control activities can be grouped as follows:

- High level reviews: Reviews related to approvals, authorisations, checking and reconcilement. Senior executives review the evolution of actual data compared to the forecasts included in the Strategic Plans and the data from prior periods.

- **Direct management of specific functions or operating activities**: Reviews of the operating functions carried out in relation to the goals to be reached and the risks jeopardising them.

- **Information processing and security**: Controls related to checking the exactness, integrity and authorisation of the transactions.

- **Physical controls**: Reconcilements done from time to time of the inventory and security of assets.

- **Performance indicators**: These are applied when comparing operational and financial data.

- **Separation of functions**: Functions are divided between different people to reduce the risk of error or fraud.

However, documentation for the whole Group on the activity flows and controls, and the different business areas are responsible for defining in the procedures the controls they have considered necessary to cover the risks existing in each one of the areas.

With regard to reporting system controls, a distinction can be made between general controls such as IT management, IT infrastructures, security management, and software acquisition, maintenance and development, among others, and application controls such as control digits, reasonability tests, logical tests, and predefined data lists, among others.

The control weaknesses detected by the General Internal Auditing and Risk Management in the Internal Control System are notified to the Audit and Control Committee by means of a report listing the recommendations that are considered necessary for the weaknesses that were identified.

On the other hand, the specific review of the relevant judgments, estimates, assessments and projections used to quantify certain assets, liabilities, income, expenses and commitments recorded and/or broken down in the financial statements is carried out by the General Administration Management, supported by the rest of the General Managements. Any hypotheses and estimates based on business developments are reviewed and analysed together with the corresponding business departments.

Additionally, a review is carried out by an external auditor, supervised by the Audit and Control Committee.

The main corporate procedures are included in the General Standards Manual and in the Group's Economic and Financial Manual. These procedures include the closing of accounts and the maintenance of the accounting plan. Also, the Group's accounting managers are given instructions on how to record operations that have not taken place previously in the Group, and these criteria are included in the next update of the Manual.

FCC Group furnishes financial reports to the securities market on a quarterly basis and from time to time whenever relevant facts that must be reported occur, in accordance with the law in force.

Financial reports are prepared by the Group's General Administration Management, which carries out certain control activities in the closing of the accounts to ensure the reliability of said information. Once a financial report is consolidated in a software application running in SAP environment, it is reviewed by the General Administration Management, the Steering Committee, the General Internal Auditing Management and the external auditor.

Last of all, the Audit and Control Committee informs the Board of Directors of its conclusions on the financial reports that are presented so that, once they are approved by the Board of Directors, they may be disclosed to the securities markets.

Article 10 of the Rules of the Board of Directors states the following with regard to the specific functions in relation to the Financial Statements and the Management Report:

- The Board of Directors shall draw up the separate and consolidated financial statements and the management report, so that they give a true and fair view of the net worth, the financial position and the results of FCC's operations, as provided by Law, following the favourable report of the Audit and Control Committee. The integrity and exactness of said accounts will be certified beforehand by the General Administration Management and the General Finance Management, with the approval of the Chairman, if he has executive powers, and otherwise of the CEO.

- The Board of Directors, after studying the reviews mentioned in the item above, may request any relevant clarifications from those who drafted them.
- The Board of Directors will particularly ensure that the above accounting documents are drafted in clear and precise terms enabling an adequate understanding of their contents. In particular, they shall include any remarks that are useful for said purpose.
- Each member of the Board of Directors shall place on record that, prior to undersigning the preparation of the financial statements required by Law, he/she has reviewed the report on same that must be drawn up by the Audit and Control Committee and, in general, the necessary information for this purpose, and such member may place on record any remarks that are considered relevant.
- On a quarterly basis, the Board will review FCC Group's accounts, following a report from the Audit and Control Committee.
- Likewise, article 11 of those same Regulations establishes the following with regard to the specific functions in relation to the Securities Market:
- In particular, the Board will perform the following specific functions in relation to the Securities Market, in the manner provided in these Regulations:
  - The performance of any actions and the adoption of any measures required to ensure the transparency of FCC for the financial markets.
  - The performance of any actions and the adoption of any measures required to foster the proper price formation of FCC shares, particularly avoiding manipulations and the abuse of insider information.
  - The approval and updating of the Internal Conduct Regulations in matters related to Securities Markets.
  - The approval of the Annual Report on Corporate Governance stated in section 116 of the Spanish Securities Exchange Act.
  - The approval of the Annual Report on Director Remunerations stated in article 61 ter of the Securities Market Act.

Last of all, article 14, "Market relations" states the following:

- The Board of Directors will adopt the necessary measures to ensure that the financial reports it discloses from time to time and any other information made available to markets is prepared according to the same principles, criteria and professional practices as the financial statements and is just as reliable as the latter.

On the other hand, the Group's Basic Standard for Internal Auditing establishes, among the functions and attributions of the General Internal Auditing Management, the "review of the (individual and consolidated) accounting information, the management reports, and the financial reports disclosed from time to time to the markets, evaluating that they are correct and reliable, their compliance with the law in force and the proper application of the generally accepted accounting principles" and "suggesting internal control measures enabling the compliance with the regulations in preparing and disclosing financial reports".

During 2014, with the purpose of ensuring compliance with the best practices existing in this field based on COSO, FCC Group's General Internal Auditing and Risk Management has supervised the work done by the different business areas in the adequate identification stage of the existing control activities.

When the improvements of the Integrated Risk Management Model are concluded, it will be possible to ensure the suitable development and allocation of all of the control activities to each of the critical risks affecting the business, with the goal of detecting internal control shortfalls in which specific action plans must be established for risks exceeding the Accepted Residual Risk. These action plans will include the measures needed to reinforce existing controls and even incorporate new controls thereto.

F.3.2. **Internal control policies and procedures for IT systems (including among others, security of access, control of changes, operation thereof, continuing operations, separation of functions) supporting the company's relevant processes in relation to the preparation and disclosure of financial reports.**

FCC Group's internal control model considers computer processes, which comprise the IT environment, architecture and infrastructures and the applications supporting business operations and the related financial accounting. The business processes are supported by automatic controls implemented in the applications and manuals.

FCC Group applies an internal control model to the Reporting Systems and in particular to the control of the systems supporting the Group's financial statements, focusing on guaranteeing the integrity, confidentiality, availability and reliability of the financial reporting in the closing of accounts process and therefore of the information disclosed to the markets.

With reference to these indicators, priority is given to the following areas:

- Access to programs and data.
- Change management.
- Managing developments.
- Operations management.
- Documentation management.

Within these five areas, the following controls of the applications supporting the financial environment are considered particularly relevant:

- User management in the applications (registration-removal and modification).
- Information management policy.
- Information security policy.
- User role matrixes in the applications.
- Managing the demand for developments and functional changes.
- Managing the demand for infrastructure changes.
- Specification and approval of tests and acceptance by users.
- Specification of technical and functional requirements
- Managing incidents.
- Job management
- Operations contingency plan.
- Infrastructure back-up policies.
- Service level agreements and management thereof with third parties.
- Physical security of the Data Processing Centres (DPC).

It should be noted that the Company has a certified information security management system, based on the ISO/IEC 27001 international standard, for the Construction, Water and FCC Industrial business areas. This standard defines and establishes the principles of functionality, security and responsibility, and it may be extrapolated to different areas within the organisation.

FCC Group, taking stock of the importance of the security of the information it processes, has developed a set of policies and standards allowing it to ensure the confidentiality, integrity and availability of its IT systems. The aspects related to the Internal Control over Financial Reporting are regulated in the Corporate Standard called "Information Security."

This document defines the functional principles and the bodies responsible in terms of Information Security and it directly involves the business, evidencing the support in the first paragraph of the Policy itself:

The CEO and the Steering Committee will be responsible for:

- Establishing the general criteria for classifying and managing information assets.
- Approving:
  - The Organisation and Security Management Model.
  - The Classification and Information Assets Management Model.

One of the fundamental principles governing the application of said standard is the Principle of Information Integrity. Information management will be governed by policies, standards, procedures and guides ensuring the confidentiality, integrity and availability thereof.

FCC Group has a security model that requires an organisational structure and the allocation of roles and responsibilities in the field of security in order to function:

The Information Technology Committee is the highest body coordinating the information security in the Group.

Information Security defines the security requirements of the projects developing new applications and it successively validates the functionality of the mechanisms and controls implemented in the applications before they go on to the production stage.

Information Security is integrated within the Change Management Committee with the purpose of checking that the changes proposed for the IT infrastructure are compatible with the security requirements established in FCC Group's Information Security Policy.

Information Security uses a number of monitoring tools that analyse the operation of FCC Group's information systems, which are able to generate alerts in real time whenever they detect possible security incidents.

Information security is evaluated from time to time. In this respect, Information Security carries out the following audits:

- Regulatory compliance in the field of Personal Data Protection, every two years.
- Analysis of IT systems vulnerabilities.
- IT systems intrusion tests.

Since 2011, FCC Group outsources the management of the technological infrastructures of its information systems. The contract with the external firm incorporates a clause ensuring the performance of services according to best market practices regarding IT. This contract was amended in 2014 and a new supplier provides the service.

F.3.3. **Internal control policies and procedures designed to supervise the management of activities outsourced to third parties, together with evaluations, calculations or assessments entrusted to independent experts, which may materially affect the financial statements.**

FCC Group has not outsourced any relevant activities destined to execute or process transactions that are recorded in the Group's financial statements, with the exception of the assessment of financial derivatives, the performance of actuarial calculations, the performance of certain property appraisals from time to time, and technological infrastructure management.

There is an internal procedure for the hiring of external advisors which require certain levels of approval according to the sum involved, including, as the case may be, approval by the Company's CEO. The results or reports commissioned in the accounting, tax or legal areas are supervised by the heads of the General Administration Management, the General Legal Consultancy Management and the General Internal Auditing and Risk Management, or of other Departments if it is considered necessary.

As indicated under the preceding item, FCC Group has outsourced the management services for its IT and telecommunication infrastructures. As part of the contract, investments will be made with a view to standardising the architecture of FCC systems, so that there are not any differences in terms of availability and integrity in the environments managed by the companies making up the Group.

FCC Group has two Data Processing Centres in Madrid configured with high availability. It also has implemented a Service Desk through which any incidents involving the Information Systems are channelled.

The following stand out among the projects carried out:

- Full renewal of workstations where key personnel will have an automatic backup to guarantee the availability of the information.

– Consolidation of global centres for operation services with standard tools.
– Implementation of a single telecommunications network (WAN) allowing the homogenisation of user access capacity to the Group's IT systems.

As an internal control procedure to supervise the management of these outsourced activities, a catalogue of services has been launched managed with unified service quality and measures according to pre-arranged Service Level Agreements (SLAs).

Last of all, it should be noted that FCC Group has procedures in place for the supervision of businesses in which it operated via corporate structures in which either it does not have a controlling interest or they are not directly administrated by the Group, for instance Joint Ventures (UTEs).

F.4. Reporting and communication.

Disclose, identifying the main characteristics, whether you have at least:

F.4.1. A specific function to define and update the accounting policies (accounting policies area or department) and to solve any doubts or disputes arising from the interpretation thereof, maintaining fluid communications with the operations managers in the organisation, together with an updated accounting policy manual that is communicated to all the units through which the Company operates.

The responsibility to apply the Accounting Policies of FCC Group is centralised in the General Administration Management, to which the Group's Consolidation and Accounting Standards Department belongs, and its functions, among others, are the following:

- Defining the Group's accounting policies.
- Issuing the accounting standards applied in the Group.
- Solving doubts or disputes arising from the interpretation or application of the Group's accounting policies to any of its Companies.
- Analysing the individual operations and transactions that the Group has carried out or those that are planned, to ensure that they are booked according to the Group's accounting policies.
- Monitoring the new draft regulations being considered by the IASB, and the new standards approved by said body, as well as the process of validation thereof by the European Union, determining the impact they will have on the Group's Consolidated Financial Statements.

The Group's Consolidation and Accounting Standards Department regularly informs all those in charge of preparing the financial statements at the various levels in the Group of the amendments in the regulations, clarifying any doubts that may arise, and it in turn gathers the information required from the Group companies to ensure the consistent application of the Group's Accounting Policies and to determine the impact of the application of new accounting regulations.

FCC Group's General Internal Auditing and Risk Management details in its Internal Auditing Plan, among the various functions included within its responsibilities, that of providing, from an accounting regulation perspective, solutions to the technical enquiries received from any of the business areas in which the Group operates.

In cases where the application of accounting regulations is subject to different interpretations, the General Internal Auditing and Risk Management and/or the General Administration Management may take part in the explanation to the external auditor, stating the grounds on which the interpretation of FCC Group is based.

FCC Group is made up by a large number of companies operating in different countries and it is obliged to prepare its consolidated financial statements according to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) adopted by the European Union, as detailed in the Group's Economic and Financial Manual.

The Group's Economic and Financial Manual establishes, in its first chapter, the accounting basis that should apply for FCC Group, enabling the preparation of the Group's annual consolidated financial statements, together with any other financial statements and reports that are to be disclosed from time to time.

In FCC Group's subsidiaries, joint ventures and associated companies, wherever what has been established cannot be applied the necessary information must be available in order to homogenise the reporting by introducing the relevant adjustments, so that the resulting information complies with the established criteria.

In order to homogenise FCC Group's economic and financial reporting according to international standards, financial statement models and a corporate accounting table have been developed, and these are also included in the Economic and Financial Manual.

This Manual is updated by the Administrative Coordination Division, according to the evolution of accounting standards, and it is available on the Group Intranet (FCCnet) in the chapter called "Regulations" and may be consulted by Group employees. Also, there is the possibility for users to create alerts that inform them of any updates of the manual.

The regulations are updated in a unified manner by the departments that are aware of, have experienced and are involved in the matter, and they are ultimately approved by the General Administration Manager. Throughout 2014 several updates have been performed according to the needs identified by the Group.

F.4.2. **Mechanisms for gathering and preparing financial reports with standardised formats, to be applied and used by all of the units in the Company or the Group, supporting the main financial statements and the notes to the financial statements, as well as any financial reports on ICFR.**

FCC Group has implemented a shared reporting system based on the application in a SAP environment, which is meant, on the one hand, to meet the reporting needs for the separate financial statements and, on the other hand, to standardise and systematise the consolidation process of economic and financial reporting in the Group. This application gathers, by reporting units, at a 'company-sector' level or as legal persons, according to what is required, the information needed to put together economic and financial reports, whatever their nature, whether internal or external, the latter involving disclosures to public bodies and institutions.

This tool manages to centralise in a single system most of the information corresponding to the accounting for the separate financial statements of the subsidiaries making up the Group. The system is centrally managed and it uses a single accounting plan, and the information is automatically loaded into this consolidation system from SAP.

The procedures for gathering and preparing financial reports are documented in the Economic and Financial Manual, which establishes the dates when the following will be available from the Administration Area: the economic and financial information to be furnished by the Administration and Finance Departments of the business areas; the consolidated economic and financial documentation, on the one hand, and that corresponding to FCC, S.A., on the other hand, which is to be furnished to the Administration Area by the Administration and Finance Departments of the business areas. These procedures do not specifically consider information on the Internal Control over Financial Reporting System, said information having been obtained via specific requests to the areas involved.

Additionally, for the annual closing of accounts and with the objective of disclosing the annual financial report within the two months following the end of the financial year, pursuant to Royal Decree 1362/2007, of 19 October, in relation to the transparency requirements related to the information on issuers whose securities are listed on an official secondary market or on any other regulated market in the European Union, the General Manager of Administration sends out the financial year closing plan by e-mail, which includes a number of instructions for those in charge of providing the relevant financial reports. The Administrative Coordination Division will establish, clarify or extend said instructions whenever it is required.

The internal accounting policies, procedures and standards related to the account closing, reporting and consolidation processes are described in the Group's Economic and Financial Manual, which also details the information that must be furnished for consolidation purposes and defines the basic documents / forms to be used for that purpose.

Another procedure for gathering the financial reports is the implementation of a tool in a SAP environment which allows the Corporate Finance Division of FCC Group to obtain all the banking information for each of the companies and with all the financial institutions with which they operate.

Regarding the description of the Internal Control over Financial Reporting Systems (ICFRS), FCC Group has identified the controls it has available to respond to the indicators proposed in CNMV circular 5/013 of 12 June 2013. As part of the improvement process of the Integrated Risk Management Model, there are plans to develop a system providing traceability of goals, risks, controls, action plans and compliance officers in relation to financial information reporting risks. This system will contribute a report by the owners of the controls regarding the efficient functioning of those controls and it will also provide a report of the risk owner in relation to maintaining the risk within the threshold accepted beforehand by the Board of Directors.

F.5. Supervision of the system's functioning.

Disclose, identifying the main characteristics, whether you have:

F.5.1. ICFRS supervision activities performed by the Auditing Committee, and whether the company has an Internal Auditing function authorised to support the Committee in its task of supervising the Internal Control System, including ICFRS. Information will also be given on the scope of the ICFR system evaluation carried out during the year and on the procedure whereby the person in charge of performing the evaluation communicates the results, whether the company has an action plan detailing any corrective measures, and whether the impact on the financial reporting has been considered.

The FCC Group's Internal Auditing Basic Standards, in their third section, state that "The purpose of the General Internal Auditing and Risk Management is to provide the Board of Directors, via the Audit and Control Committee, and the Senior Executives of FCC Group, with whom it actively collaborates, with the effective supervision of the Internal Control System, by exercising a unique and independent governance function aligned with professional standards, contributing to Good Corporate Governance, verifying the proper compliance with applicable regulations, both internal and external, and reducing to reasonable levels the possible impact of the risks in achieving the objectives of FCC Group."

The General Internal Auditing and Risk Management, by delegation of the Audit and Control Committee, has as its objective, as stated in the Group's Internal Auditing Basic Standards, under sections 4 and 5, that of evaluating the adequacy and effectiveness of the Internal Control Systems. To this end, the Internal Auditing function applies to the entire FCC Group everything referring to:

- The reliability and integrity of the economic and financial reports, both internal (management information) and for external disclosure.
- Review of the systems and operations to check the compliance with the policies, procedures and regulations approved by Senior Executives, and with the laws in force.

Also, section 9 of these standards establishes the functions and powers of the General Internal Auditing and Risk Management:

- "The General Internal Auditing and Risk Management has the fundamental mission of assisting the Audit and Control Committee in the compliance with the powers and responsibilities conferred to said Committee by article 41 of the Rules of the Board of Directors in force."
- "The functions of the General Internal Auditing and Risk Management are to supervise the efficiency of the internal controls, ensuring the compliance with legal requirements, the evaluation and enhancement of the risk management processes, and also to ensure that the financial reports that are prepared are correct and suitable for FCC Group. These functions are specifically the following:

    - Examining and evaluating the systems, ensuring the compliance with the policies, procedures, standards, regulations and plans. The sufficiency and effectiveness of the internal control systems, making suggestions for the enhancement thereof.
    - Reviewing the application and effectiveness of the risk management procedures and of the systems for assessing them.
    - Watching over compliance with the standards and guidelines established by Management, especially the Code of Conduct and the General Standards Manual.
    - Reviewing the (separate and consolidated) accounting information, the Management Reports and the financial information disseminated to the markets from time to time, evaluating that they are correct and reliable, in compliance with the law in force, and that the generally accepted accounting

principles are applied correctly. Suggesting internal control measures to enable compliance with standards for the preparation and disclosure of financial reports.

- Checking that assets really exist and the systems guaranteeing the integrity and safeguarding thereof.
- Supporting the different areas in their technical relations, control and monitoring with external auditors.
- Assisting the members of the Group's Organisation, furnishing them with analyses, recommendations, advice and information on the activities reviewed. Reporting any incidents that are detected to Senior Management and recommending corrective measures.
- Complying with the Annual Auditing Plan, reporting from time to time on the evolution thereof.
- Supervising the work of the external auditors, asking for and receiving information on any aspects related to the progress of the audits, acting as a communication channel between the external auditors and the Audit and Control Committee, submitting the conclusions of the review by the external auditors and, especially, any circumstances that might jeopardise their independence. They shall also make proposals on the appointment of the external auditors to enable the Audit and Control Committee to meet its obligations with the Board of Directors.
- Coordinating and managing the implementation process of the Integrated Risk Management Model in FCC Group, which will contribute to a significant improvement of the Group's internal control, aiming to comply with the strategy it defines from time to time. To reach this goal, work will focus on identifying goals, risks, control activities, indicators, defective control environments, and establishing specific action plans allowing the Group to ensure the accepted risk level. Because of this, the risk and control holders must be identified, allowing adequate assumption of responsibilities and the incorporation of specific procedures for Integrated Risk Management in the internal processes of each of the business units.

  This model entails creating a scorecard, based on a reporting structure submitted by those responsible for each area to the General Internal Auditing and Risk Management, where they shall report both specific non-compliances and the relevant response plans.

  At the same time, the General Internal Auditing and Risk Management will oversee the process, adequately informing the Board about the risk levels assumed by the Group from time to time.

- Any other functions entrusted by the Audit and Control Committee.

The General Internal Auditing and Risk Management will act independently of the management areas. A resolution of the Board of Directors, passed on 26 October 2004, establishes that the General Internal Auditing and Risk Management is functionally dependent upon the Audit and Control Committee and organically dependent upon the Chairman of FCC Group. The members of the General Internal Auditing and Risk Management perform their functions independently, without sharing their responsibilities with other management areas.

As commented in F.2.1 above, the Group is currently in the process of improving and evolving its Integrated Risk Management Model, in order to face the financial reporting and other risks to which its activities are exposed in the most effective manner. To this end, in June 2013 the General Internal Auditing Management incorporated Risk Management among its functions; until then it was part of the General Administration and Information Technology Management. One of the goals sought by the Model in relation to this topic is to define specific actions plans when there is an early identification of possible materialisations of reporting risks in relation to the preparation of financial reports.

The worsening of the economic environment over recent years has increased the exposure of companies to a number of different risks. In this respect, the Group's General Internal Auditing and Risk Management, according to the provisions in the Auditing Plan prepared in compliance with the Basic Auditing Standards, considers that it is necessary to analyse and evaluate, via a number of different indicators, the impact on the business areas, with the purpose of advising the Audit and Control Committee and preparing the relevant recommendations to allow it to minimise the impact of risks related to the financial reporting that may affect the Group.

The scope of the auditing tasks is defined according to these variables, in order to provide the Audit and Control Committee and Management in general with reasonable security on the proper functioning of the internal control systems, on the compliance with the policies for managing the main risks of the Group and on the reliability of the economic and financial reports prepared by Management and submitted to the Board of Directors for approval.

The fundamental role of the Audit and Control Committee is to support the Board of Directors in its surveillance tasks, by reviewing from time to time the process of preparing the economic and financial reports, its internal controls and the independence of the external Auditor.

The Audit and Control Committee holds meetings with the external auditor and listens to the explanations given by the General Manager of Finance and the General Manager of Administration.

The auditing plan does not include the tasks that may be carried out by the Internal Auditing Departments of the FCC Group listed companies Cementos Portland Valderrivas and Realia, notwithstanding the coordination tasks performed by the different Internal Auditing Departments, with the purpose of reporting to the FCC Group Audit and Control Committee the effect that the risks of said Groups may have on the consolidated financial statements of FCC Group.

The Auditing Plan (prepared pursuant to the Basic Auditing Standards) follows the plan given below:

Areas of activity in Internal Auditing → Objectives to be achieved → Identified risks with a negative effect on the objectives → Identification of controls to mitigate the risks → Preparation and development of the work plan.

According to the 2014 Auditing Plan communicated to the Audit and Control Committee, the General Internal Auditing and Risk Management has carried out the following tasks in relation to the review of the Group's internal control over financial reporting system in a number of different areas:

- IT auditing: There have been reviews of the security model defined in SAP/Integra (the Group's financial application) and Incorpora (the Payroll application), reviews of the General IT Controls in the Construction areas, work to validate the effectiveness of automatic controls in the FCC Construcción Machinery SAP, Auditing according to ISO 27001 in the FCC CO and Aqualia areas, half-yearly reviews of SAP Integra (the FCC Group financial system) and reviews of the sick-leave process implemented in the Employee and Identity Management Master Program.
- Environmental auditing: review of the FCC Environment models for estimating environmental provisions.
- Work to review the financial reporting in the different business areas: Construction, Environment, Water, Energy, Waste, and Versia, mainly the reporting that refers to provisions, judgments and estimates.
- Analysis of the audit opinions on the companies audited: Systematic analysis of the audit opinions on companies in FCC Group, with the objective of monitoring any companies that are not given a favourable report from the auditor.
- Monitoring of the reporting obligations in respect of financial entities (covenants): coordination of the work between the external auditors and the business areas, analysing and reviewing the information prepared by said areas, which must be certified by the auditor. Involvement in the process of certifying financial ratios determined regarding statutory financial statements that were already audited.
- Criminal liability of the Legal Entity: Evaluation of the design of the controls implemented in FCC in relation to the modification of the Spanish Criminal Code, verification of the measures and controls established in the Group in order to prevent and detect any such offences (currently undergoing modification, assessing the implications of the regulatory changes).
- Internal communication channel: Review of the compliance with the communication obligations established in the FCC Group Internal Conduct Regulations and the Code of Ethics.
- Monitoring of the internal control recommendations issued in prior years.
- Risk Management in the business areas: review of the reports prepared on a four-monthly basis by each business area on the materialisation of risks. The results of the analyses are reported to the Auditing and Control Committee.
- Other functions of the review of financial reports: Supervision of the quarterly, half-yearly and annual financial statements and notes to the financial statements. Internal Auditing reviews the consolidated and separate financial statements, in

order to identify whether the sums and the information broken down in these statements are in compliance with the IFRS or PGC (Spanish General Chart of Accounts) standards. In addition, the reports sent from time to time to the CNMV are reviewed.

- Technical queries: Internal Auditing collaborates in responding to queries related to the accounting treatment of certain transactions owing to their complexity.

The results of the reviews carried out by the General Internal Auditing and Risk Management, together with any incidents that were detected, have been communicated to the Audit and Control Committee during the year.

F.5.2. **Discussion procedure whereby the auditor (in accordance with what is provided in the NTA), the Internal Auditing function and other experts may communicate to senior management and to the Auditing Committee or directors of the company, any significant internal control weaknesses identified during the process of reviewing the financial statements or any others entrusted to them In addition whether there is an action plan to correct or mitigate the observed weaknesses.**

The FCC Group Internal Auditing Basic Standards, in section seven, paragraph i), states that "The Audit and Control Committee will be informed, via the General Internal Auditing and Risk Management and its relations with the external auditors, of the preparation process of the financial reports, of the proper application of generally accepted accounting principles, and of compliance with legal requirements and on the functioning of the internal control systems."

As stated in the preceding paragraph, the purpose of the General Internal Auditing and Risk Management is to provide the Board of Directors, via the Audit and Control Committee, and the Senior Executives of FCC Group, with the effective supervision of the Internal Control Systems.

This objective consists of furnishing the Management of FCC Group with an independent opinion on the Organisation's ability to achieve its objectives, by means of a systematic and methodological approach towards the evaluation, management and enhancement of the effectiveness of these processes:

- **Risk Management**: Processes used by Management to identify, evaluate and respond to the potential risks that may affect whether the organisation achieves its business objectives set out in the Strategic Plan.
- **Internal Control**: The policies, standards, procedures and activities making up the control system established by FCC Group to ensure the proper management and risk reductions.

As stated under the preceding item, section 9 of the Group's Internal Auditing Basic Standards establishes, among the functions and remits of Internal Auditing, that of: "Assisting the members of the Group's Organisation, furnishing them with analyses, recommendations, advice and information on the activities reviewed. Reporting any incidents that are detected to the Management and recommending corrective measures." This same section explains the implementation process of the Integrated Risk Management Model and what it will represent in terms of improving FCC Group's internal control.

At present, FCC Group's General Internal Auditing and Risk Management reports to the Audit and Control Committee from time to time any significant internal control weaknesses identified during the performance of their tasks, giving recommendations to adequately correct them. In 2014, it attended all the meetings of the Audit and Control Committee.

With the purpose of ensuring that the financial reports submitted to the Audit and Control Committee have been prepared according to generally accepted accounting principles and that they offer a true and fair view of the state of affairs of FCC Group, the General Internal Auditing and Risk Management performs a number of processes for the review of the accounting information (both separate and consolidated), the management reports and the financial reports disclosed to the markets from time to time.

Additionally, the Group's auditor has direct access to the Group's Senior Executives, and has meetings with them from time to time, both to obtain the information needed to perform his work and to communicate any control weaknesses detected. The external auditors present the conclusions of their reviews to the Audit and Control Committee at least three times a year, detailing the internal control weaknesses that have come up while reviewing the Group's financial statements, including any aspects they consider relevant. In 2014, the external auditor attended three meetings of the Audit and Control Committee.

F.6. Other relevant information.

N/A

F.7. Report by the external auditor.

Report on:

F.7.1. If the ICFRS information disclosed to the markets has been reviewed by the external auditor, the Company must include the relevant report as an Appendix. Otherwise, the reason why said report is not available must be explained.

The information included here on the Internal Control over Financial Reporting System was reviewed by the External Auditor, and the report thereof is attached as an Appendix to this document.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the Company's degree of compliance with the recommendations of the Unified Code of Corporate Governance.

In the event of not complying with some recommendations or only partial compliance, include a detailed explanation of the reasons so that the shareholders, investors and the market at large may have sufficient information to assess the Company's procedures. General explanations will not be acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

Compliant [X] Explain

2. When a parent and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

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) The mechanisms in place to resolve possible conflicts of interest.

See sections: D.4 and D.7.

Compliant Complies partially Explain [X] Not applicable

Article 7.2.i of the Rules of the Board of Directors entrusts the Board with "Defining the structure of the Group and coordinating, within the legal limits, the Group's general strategy in the interests of the Company and its subsidiaries with the support of the Strategy Committee and the CEO, and disclosing in the Annual Corporate Governance Report the respective areas of activity and any business relations between the Company and its listed subsidiaries that are part of the Group, and between those companies and the other Group companies, and the mechanisms established to resolve any conflicts of interest that may arise."

3. **Even when not expressly required under Commercial Law, any decisions involving a structural corporate change should be submitted to the General Meeting of Shareholders for approval or ratification, especially the following:**

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the original company, even though the latter retains full control of the former;

b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c) Operations that are equivalent to winding-up the Company.

See section: B.6.

Compliant [X] Complies partially Explain

4. **Detailed proposals of the resolutions to be adopted at the General Meeting of Shareholders, including the information stated in Recommendation 27 should be made available at the same time as the publication of the Meeting notice.**

Compliant [X] Explain

5. **Separate votes should be taken at the General Meeting of Shareholders on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:**

a) The appointment or ratification of Directors, with separate voting on each candidate;

b) Amendments to the Bylaws, with votes taken on all articles or groups of articles that are materially different.

Compliant [X] Complies partially Explain

6. **Companies should allow split votes, so that financial intermediaries representing different clients may issue their votes according to instructions.**

Compliant [X] Explain

7. **The Board of Directors should perform its duties with unity of purpose and independent judgement, affording all shareholders the same treatment. It should be guided at all times by the Company's best interest and, as such, strive to maximise its value over time in a sustained manner.**

It should likewise ensure that the Company abides by the laws and rules in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Compliant [X] Complies partially Explain

8. **The Board should seek, as core components of its mission, to approve the Company's strategy and the organisation required to carry it forward, and supervise and control that the management meets the objectives set while pursuing the Company's interests and corporate purpose. For such purpose, the Board in full should reserve the right to approve:**

a) The Company's general policies and strategies, and, in particular:

i) The strategic or business plan, management targets and annual budgets;
ii) The investment and financing policy;
iii) The definition of the corporate Group structure;
iv) The corporate governance policy;
v) The corporate social responsibility policy;
vi) The remuneration and evaluation of senior officers performance policy;

vii) The risk control and management policy, and the regular monitoring of internal information and control systems.
viii) The dividend policy, as well as the policies and limits applying to treasury stock.

See sections: C.1.14, C.1.16 and E.2.

b) The following decisions:

i) On the proposal of the Company's chief executive, the appointment and removal of senior officers, and their severance clauses.
ii) Directors' remuneration and, in the case of executive directors, the additional remuneration for their management duties and other contract conditions.
iii) The financial information that all listed companies must disclose from time to time.
iv) All types of investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Meeting.
v) The creation or acquisition of holdings in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a similar nature whose complexity might impair the transparency of the Group.

c) Transactions which the Company performs with Directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").

However, Board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions::

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
2. They are arranged at market rates, generally set by the person supplying the goods or services;
3. The amount is not more than 1% of the Company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other Committee entrusted with the function in question; and that the Directors involved should neither exercise nor delegate their votes, and should leave the meeting room while the Board debates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Steering Committee in urgent cases and later ratified by the full Board.

See sections: D.1 and D.6.

Compliant [X]	Complies partially	Explain

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and not more than fifteen members.

See sections: C.1.2.

Compliant [X]	Explain

10. External Directors, both nominee and independent, should occupy an ample majority of Board places, while the number of executive Directors should be the minimum practical, bearing in mind the complexity of the corporate Group and the ownership interests they control.

See sections: A.3 and C.1.3.

Compliant [X]	Complies partially	Explain

11. Among external Directors, the ratio between nominee and independent members should match the proportion between the capital represented on the Board by nominee Directors and the remainder of the Company's capital.

This proportional criterion can be relaxed so the weight of nominee directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large capitalization companies where few or no equity stakes attain the legal threshold for significant shareholdings, but where there are shareholders with blocks of shares with high absolute value.
2. In companies with a plurality of shareholders represented on the Board that are not otherwise related.

See sections: A.2, A.3 and C.1.3.

Compliant [X]	Explain

12. The number of independent Directors should represent at least one third of all Board members.

See sections: C.1.3.

Compliant	Explain [X]

During 2014 three independent directors left the Board of Directors of FCC: Gonzalo Anes y Álvarez de Castrillón owing to death and Henri Proglio and César Ortega for personal reasons. Thus, as of 31 December 2014 the number of independent directors represented 21.4% of the total members.

13. The nature of each Director should be explained to the General Meeting of Shareholders, which will make effective or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Appointments Committee. This Report should also disclose the reasons for the appointment of Nominee Directors at the request of shareholders controlling less than 5% of 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 Nominee Directorship.

See sections: C.1.3 and C.1.8.

Compliant [X]	Complies partially	Explain

14. When there are few or no women directors the Appointments Committee should take steps to ensure that:

a) The process of filling Board vacancies has no implicit bias against women candidates;
b) The Company makes a conscious effort to include women with the professional profile among the candidates for Board places.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Compliant [X]	Complies partially	Explain	Not applicable

15. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that Directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and the active involvement of all members during board meetings, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the Board and, where appropriate, the Company's chief executive, along with the chairmen of the relevant Board Committees.

See sections: C.1.19 and C.1.41.

Compliant [X]	Complies partially	Explain

16. When the Chairman of the Board is also the Company's chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new items on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the Board's evaluation of the Chairman.

See sections: C.1.22.

Compliant   Complies partially   Explain   Not applicable [X]

17. **The Secretary of the Board should take care to ensure that the Board's actions:**

a) Adhere to the spirit and letter of laws and their regulations, including those issued by regulatory agencies;
b) Comply with the Company Bylaws and the Rules of the General Meeting of Shareholders, the Board of Directors and others;
c) Are informed by the governance recommendations of the Unified Code that the Company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Appointments Committee and approved by a full Board meeting; the relevant appointment and removal procedures being those determined in the Rules of the Board of Directors.

See sections: C.1.34.

Compliant [X]   Complies partially   Explain

18. **The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each Director may propose the addition of other items not considered initially.**

See sections: C.1.29.

Compliant [X]   Complies partially   Explain

19. **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.**

See sections: C.1.28, C.1.29 and C.1.30.

Compliant [X]   Complies partially   Explain

20. **When Directors or the Secretary express concerns about some proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the Board meeting, the person expressing them can request that they be recorded in the minute book.**

Compliant [X]   Complies partially   Explain   Not applicable

21. **The Board in full should evaluate the following items on a yearly basis:**

a) The quality and efficiency of the Board's operation;
b) Based on the report submitted by the Appointments Committee, how well the Chairman and chief executive have carried out their duties;
c) The performance of its Committees on the basis of the reports furnished by them.

See sections: C.1.19 and C.1.20.

Compliant [X]   Complies partially   Explain

22. **All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the Bylaws or Rules of the Board of Directors indicate otherwise, such requests should be addressed to the Chairman or Secretary of the Board.**

See sections: C.1.41.

Compliant [X]   Explain

23. **All directors should be entitled to call on the Company for the advice and guidance they need to carry out their duties. The Company should provide suitable channels for the exercise of this right, extending it in special circumstances to external assistance at the Company's expense.**

See sections: C.1.40.

Compliant [X] Explain

24. **Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the Company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.**

Compliant [X] Complies partially Explain

25. **Companies should require their Directors to devote sufficient time and effort to perform their duties effectively, and, as a consequence:**

a) Directors should inform the Appointments Committee of any other professional obligations, in case they might interfere with the necessary dedication;

b) The Company must establish rules on the number of Directorships its Board members can hold.

See sections: C.1.12, C.1.13 and C.1.17.

Compliant [X] Complies partially Explain

26. **The proposal for the appointment or re-appointment of Directors which the Board submits to the General Meeting of Shareholders, as well as provisional appointments by the method of co-optation, should be approved by the Board:**

a) When proposed by the Appointments Committee, in the case of independent Directors.

b) Subject to a report from the Appointments Committee, in the case of all other Directors.

See sections: C.1.3.

Compliant [X] Complies partially Explain

27. **Companies should post the following particulars on the Directors on their websites, and keep them permanently updated:**

a) Professional experience and background;
b) Directorships held in other companies, listed or otherwise;
c) An indication of the director's classification as executive, nominee or independent; in the case of nominee directors, stating the shareholder they represent or have links with;
d) The date of their first and subsequent appointments as a Company Director, and;
e) Shares held in the Company and any options thereon.

Compliant [X] Complies partially Explain

28. **Nominee Directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to appoint Nominee Directors, the latter's number should be reduced accordingly.**

See sections: A.2 , A.3 and C.1.2.

Compliant [X] Complies partially Explain

29. **The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the Board, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when a Director is in breach of his or her duties or comes under circumstances leading to the loss of independent status, according to the provisions in Order ECC/461/2013.**

The removal of independent Directors may also be proposed when a takeover bid, merger or similar corporate transaction leads to changes in the Company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27.

Compliant [X] Explain

30. Companies should establish rules obliging Directors to inform the Board of 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 crimes stated in Article 213 of the Capital Companies 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 he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: C.1.42, C.1.43.

Compliant [X] Complies partially Explain

31. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. 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, and if he or she decides to resign, the reasons must be explained in a letter as regards the following recommendation.

The terms of this Recommendation should also apply to the Secretary of the Board, regardless of whether he or she has director status.

Compliant [X] Complies partially Explain Not applicable

32. Directors who resign from office before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all the members of the Board. Irrespective of whether such resignation is filed as a relevant event, the reason for the same must be explained in the Annual Corporate Governance Report.

See sections: C.1.9.

Compliant [X] Complies partially Explain Not applicable

33. Remuneration comprising the granting of shares in the Company or other companies in the Group, share options or other share-based instruments, payments linked to the Company's performance or membership of pension schemes should be confined to Executive Directors.

The granting of shares is excluded from this limitation when Directors are obliged to retain them until the end of their tenure.

Compliant [X] Complies partially Explain Not applicable

34. External Directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Compliant [X] Complies partially Explain

35. In the case of remuneration linked to company earnings, any qualifications stated in the external auditor's report which may reduce said earnings should be considered.

Compliant [X] Explain Not applicable

36. In the case of variable remuneration, the remuneration policies should include technical safeguards 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 other circumstances of this kind.

Compliant [X] Explain Not applicable

37. **When there is a Delegated or Steering Committee (hereinafter, "Delegated Committee"), the representation structure of the different director categories should be similar to that of the Board, and the Secretary of the Board should be the Secretary of that Committee.**

See sections: C.2.1 and C.2.6.

Compliant	Complies partially	[X]	Explain	Not applicable

The Steering Committee is made up by 75% of External Directors and 25% of Executive Directors, whereas the Board of Directors has 85.7% of External Directors and 14.3% of Executive Directors.

The Secretary of the Board is the secretary of the Steering Committee.

38. **The Board must always be informed of the matters discussed and the decisions adopted by the Delegated Committee, and all the Board members must receive a Copy of the minutes of Delegated Committee meetings.**

Compliant	[X]	Explain	Not applicable

39. **In addition to the Audit Committee required under the Securities Market Law, the Board of Directors should form a Committee, or two separate Committees, for Appointments and Remuneration.**

The rules governing the composition and operation of the Audit Committee and the Appointments and Remuneration Committee or Committees should be set forth in the Rules of the Board, and include the following:

a) The Board of Directors shall designate the members of the Committees, taking into account the Directors' knowledge, skills and experience and each Committee's area of competence; discuss their proposals and reports; and at the first Board meeting following each Committee meeting, should inform on the business and activities performed, and respond to the work carried out.

b) These Committees should be formed exclusively by external directors and have a minimum of three members. Executive Directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.

c) Committee Chairmen must be independent directors.

d) These Committees may engage external advisors when they feel this is necessary to carry out their duties.

e) Committee meetings should draw up minutes and a copy must be sent to all Board members.

See sections: C.2.1 and C.2.4.

Compliant	Complies partially	[X]	Explain

The Board of Directors has taken into account the knowledge, skills and experience of the Directors and the mission of each Committee when appointing Committee members. Committees are also expressly given the power to obtain external advice and the Board has debated the proposals and reports presented by the Committees, which reported on their activities and performance at the first full Board meeting after each of their meetings.

When appointing the Committee members and chairs, the Board has given priority to the skills, experience and qualifications that will enable Directors to contribute to better performance by the Committees of the duties entrusted to them, rather than to the Directors' categories.

The Audit and Control Committee is chaired by Mr Gustavo Villapalos Salas, an independent Director of FCC.

40. **The task of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance Committees.**

See sections: C.2.3 and C.2.4.

Compliant [X] Explain

41. All members of the Audit Committee, particularly its Chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Compliant [X] Explain

42. Listed companies should have an internal auditing function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

See sections: C.2.3.

Compliant [X] Explain

43. The head of internal auditing should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Compliant [X] Complies partially Explain

44. The Control and risk management policy should specify at least

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) to which the Company is exposed, with the inclusion of contingent liabilities and other off-balance-sheet risks under financial or economic risks;
b) The determination of the risk level the Company considers as acceptable;
c) Measures in place to mitigate the impact of identified risks 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.

See sections: E.

Compliant [X] Complies partially Explain

45. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

a) The major risks identified as a consequence of the monitoring of the efficacy of the Company's internal control and its internal auditing, as the case may be, must be adequately managed and disclosed.

b) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal auditing; propose the department's budget; receive regular report-backs on its activities; and verify that senior executives are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.

2. With respect to the external auditor:

a) Receive regular information from the external auditor regarding the audit plan and the results thereof, and verify that senior executives act on the recommendations of the external auditor.

b) Ensure the independence of the external auditor, to which end:

i) The Company should notify any change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor, should there be any, and the reasons for same.

ii) Investigate the issues giving rise to the resignation of any external auditor, in the case thereof.

See sections: C.1.36, C.2.3, C.2.4 and E.2.

Compliant [X] Complies partially Explain

46. The Audit Committee should be empowered to meet with any Company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant [X] Explain

47. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:

a) The financial information that all listed companies must disclose periodically. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a similar nature whose complexity might impair the transparency of the Group.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control Committee.

See sections: C.2.3 and C.2.4.

Compliant [X] Complies partially Explain

48. The Board of Directors should seek to present the annual accounts to the General Meeting of Shareholders without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See sections: C.1.38.

Compliant [X] Complies partially Explain

49. The majority of Appointments Committee members, or Appointments and Remuneration Committee members, as the case may be, should be Independent Directors.

See sections: C.2.1.

Compliant Explain [X] Not applicable

As mentioned under recommendation 44, when appointing the Appointments and Remuneration Committee members, the Board has given priority to the skills, experience and qualifications that will enable Directors to contribute to better performance by the Committees of the duties entrusted to them.

All members of the Appointments and Remuneration Committee are External Directors and 37.5% of the members are Independent Directors.

50. The Appointments Committee should have the following functions in addition to those stated in earlier recommendations:

a) Evaluate the balance of skills, knowledge and experience required on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) Examine or organise, in appropriate form, the succession of the Chairman and Chief Executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.

c) Report on the senior officer appointments and removals which the Chief Executive proposes to the Board.

d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See sections: C.2.4.

Compliant [X]	Complies partially	Explain	Not applicable

51. The Appointments Committee should consult with the Company's Chairman and Chief Executive, especially on matters relating to Executive Directors.

Any Board member may suggest Directorship candidates to the Appointments Committee for its consideration to fill vacancies.

Compliant [X]	Complies partially	Explain	Not applicable

52. Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

a) Make proposals to the Board of Directors regarding:

i) The remuneration policy for Directors and senior officers;
ii) The individual remuneration and other contractual conditions of Executive Directors.
iii) The standard conditions for senior officer employment contracts.

b) Oversee compliance with the remuneration policy set by the Company.

See sections: C.2.4.

Compliant [X]	Complies partially	Explain	No aplicable

53. The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to Executive Directors and Senior Officers.

Compliant [X]	Explain	Not applicable

H. OTHER INFORMATION OF INTEREST

1. If you consider that there are any relevant principles or aspects of corporate governance applied by your Company which have not been assessed in this report but which are necessary to include in order to provide more complete and reasoned information on the structure or governance practices of the company or group, state and explain the contents thereof below.

2. This section may include any other information, clarifications or nuances related to the previous sections of the report, insofar as they are relevant and not repetitive.

Specifically, indicate whether the company is subject to laws other than those of Spain in the field of corporate governance and, as the case may be, include any information that it is obliged to furnish other than that required in the report herein.

3. The company may also indicate whether it has voluntarily adhered to other codes of ethics or governance, or international, industry or other codes. If applicable, identify the relevant code and the date of adherence.

FCC has its own Code of Ethics, approved by the Board of Directors on 10 June 2008, subsequently reviewed in 2010 and 2012. The Group has provided employees with a Whistleblowing Channel in respect of that Code.

FCC adhered to the United Nations Global Pact on 7 May 2007.

This Annual Corporate Governance report was approved by the Board of Directors of the Company at its meeting held on 27 February 2014.

State whether any of the Directors voted against or abstained from voting the approval of the report herein.

Yes No [X]

Name or company name of the Director who has not voted in favour of this report	Reasons (against, abstention, not attended)	Explain the reasons
-	-	-

Deloitte.

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INFORME DE AUDITOR REFERIDO A LA "INFORMACIÓN RELATIVA AL SISTEMA DE CONTROL INTERNO SOBRE LA INFORMACIÓN FINANCIERA (SCIIF)" DE FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. CORRESPONDIENTE AL EJERCICIO 2014

A los Administradores de
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.:

De acuerdo con la solicitud del Consejo de Administración de FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (en adelante, la Entidad) y con nuestra carta propuesta de fecha 1 de octubre de 2014, hemos aplicado determinados procedimientos sobre la información relativa al SCIIF incluida dentro del apartado F) del Informe Anual de Gobierno Corporativo (IAGC) adjunto de FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. correspondiente al ejercicio 2014, en el que se resumen los procedimientos de control interno de la Entidad en relación a la información financiera anual.

El Consejo de Administración es responsable de adoptar las medidas oportunas para garantizar razonablemente la implantación, mantenimiento y supervisión de un adecuado sistema de control interno así como del desarrollo de mejoras de dicho sistema y de la preparación y establecimiento del contenido de la información relativa al SCIIF incluida dentro del apartado F) del Informe Anual de Gobierno Corporativo (IAGC) adjunto.

En este sentido, hay que tener en cuenta que, con independencia de la calidad del diseño y operatividad del sistema de control interno adoptado por la Entidad en relación a la información financiera anual, éste sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue, debido a las limitaciones inherentes a todo sistema de control interno.

En el curso de nuestro trabajo de auditoría de las cuentas anuales y conforme a las Normas Técnicas de Auditoría, nuestra evaluación del control interno de la Entidad ha tenido como único propósito el permitirnos establecer el alcance, la naturaleza y el momento de realización de los procedimientos de auditoría de las cuentas anuales de la Entidad. Por consiguiente, nuestra evaluación del control interno, realizada a efectos de dicha auditoría de cuentas, no ha tenido la extensión suficiente para permitirnos emitir una opinión específica sobre la eficacia de dicho control interno sobre la información financiera anual regulada.

A los efectos de la emisión de este informe, hemos aplicado exclusivamente los procedimientos específicos descritos a continuación e indicados en la Guía de Actuación sobre el Informe del auditor referido a la Información relativa al Sistema de Control Interno sobre la Información Financiera de las entidades cotizadas, publicada por la Comisión Nacional del Mercado de Valores en su página web, que establece el trabajo a realizar, el alcance mínimo del mismo, así como el contenido de este informe. Como el trabajo resultante de dichos procedimientos tiene, en cualquier caso, un alcance reducido y sustancialmente menor que el de una auditoría o una revisión sobre el sistema de control interno, no expresamos una opinión sobre la efectividad del mismo, ni sobre su diseño y su eficacia operativa, en relación a la información financiera anual de la Entidad correspondiente al ejercicio 2014 que se describe en la información relativa al SCIIF incluida dentro del apartado F) del Informe Anual de Gobierno Corporativo (IAGC) adjunto. En consecuencia, si hubiéramos aplicado procedimientos adicionales a los determinados por la citada Guía o realizado una auditoría o una revisión sobre el sistema de control interno en relación a la información financiera anual regulada, se podrían haber puesto de manifiesto otros hechos o aspectos sobre los que les habríamos informado.

Asimismo, dado que este trabajo especial no constituye una auditoría de cuentas ni se encuentra sometido al Texto Refundido de la Ley de Auditoría de Cuentas, aprobado por el Real Decreto Legislativo 1/2011, de 1 de julio, no expresamos una opinión de auditoría en los términos previstos en la citada normativa.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Se relacionan a continuación los procedimientos aplicados:

1. Lectura y entendimiento de la información preparada por la entidad en relación con el SCIIF – información de desglose incluida en el Informe de Gestión – y evaluación de si dicha información aborda la totalidad de la información requerida que seguirá el contenido mínimo descrito en el apartado F, relativo a la descripción del SCIIF, del modelo de IAGC según se establece en la Circular nº 5/2013 de la CNMV de fecha 12 de junio de 2013.

2. Preguntas al personal encargado de la elaboración de la información detallada en el punto 1 anterior con el fin de: (i) obtener un entendimiento del proceso seguido en su elaboración; (ii) obtener información que permita evaluar si la terminología utilizada se ajusta a las definiciones del marco de referencia; (iii) obtener información sobre si los procedimientos de control descritos están implantados y en funcionamiento en la entidad.

3. Revisión de la documentación explicativa soporte de la información detallada en el punto 1 anterior, y que comprende, principalmente, aquella directamente puesta a disposición de los responsables de formular la información descriptiva del SCIIF. En este sentido, dicha documentación incluye informes preparados por la función de auditoría interna, alta dirección y otros especialistas internos o externos en sus funciones de soporte al Comité de Auditoría y Control.

4. Comparación de la información detallada en el punto 1 anterior con el conocimiento del SCIIF de la entidad obtenido como resultado de la aplicación de los procedimientos realizados en el marco de los trabajos de la auditoría de cuentas anuales.

5. Lectura de actas de reuniones del Consejo de Administración, Comité de Auditoría y Control y otras comisiones de la entidad a los efectos de evaluar la consistencia entre los asuntos en ellas abordados en relación al SCIIF y la información detallada en el punto 1 anterior.

6. Obtención de la carta de manifestaciones relativa al trabajo realizado adecuadamente firmada por los responsables de la preparación y formulación de la información detallada en el punto 1 anterior.

Como resultado de los procedimientos aplicados sobre la Información relativa al SCIIF no se han puesto de manifiesto inconsistencias o incidencias que puedan afectar a la misma.

Este informe ha sido preparado exclusivamente en el marco de los requerimientos establecidos por la Ley 24/1988, de 28 de julio del Mercado de Valores, modificada por la Ley 2/2011, de 4 de marzo de Economía Sostenible y por la Circular nº 5/2013 de la CNMV de fecha 12 de junio de 2013 de la Comisión Nacional del Mercado de Valores a los efectos de la descripción del SCIIF en los Informes Anuales de Gobierno Corporativo.

DELOITTE, S.L.

Javier Parada Pardo
27 de febrero de 2015

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CORPORATE SOCIAL RESPONSIBILITY REPORT

I. FCC GROUP PROFILE

FCC Group is one of the leading European Citizen Services companies, present in the sectors of environmental services, water and infrastructure. FCC focuses its activity on the design and delivery of smart services to citizens. To do so, it has developed an extensive range of services whose common denominator is the pursuit of eco-efficiency.

Each day around 60,000 employees around the world interact with citizens looking for greater daily sustainability.

1. MAIN FIGURES

FCC MAIN FINANCIAL FIGURES 2014

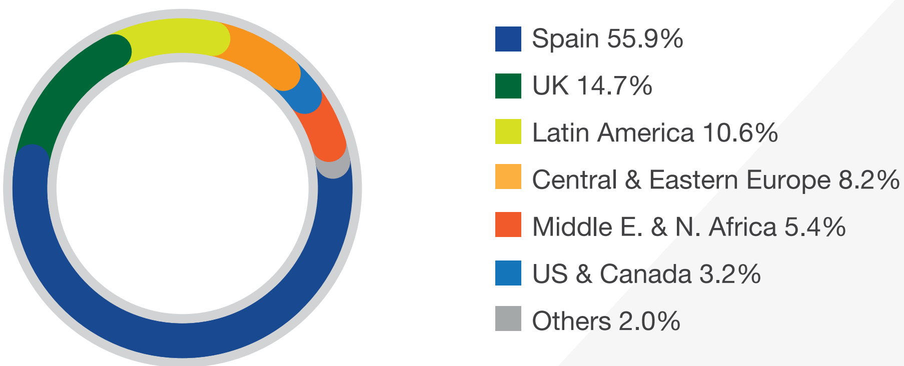
	2014	2013[1]	Var. (%)	2012
Turnover (million EUR)	**6,334.1**	6,750.0	**-6.2%**	7,429.3
EBITDA (million EUR)	**804.0**	717.3	**12.1%**	820.3
Margin (%)	**12.7%**	10.6%	**2.1 p.p**	11.0%
EBIT (million EUR)	**(345.6)**	(307.7)	**12.3%**	147.4
Margin (%)	**-5.5%**	-4.6%	**-0.3 p.p**	-4.5%
Business order book (million EUR)	**32,996.5**	33,359.5	**-1.1%**	32,865.1
Net debt (million EUR)	**5,016.0**	5,964.5	**(948.5)**	5,975.5

(1) Data restated to reflect the impact of the application of IFRS 11 "Joint Arrangements".

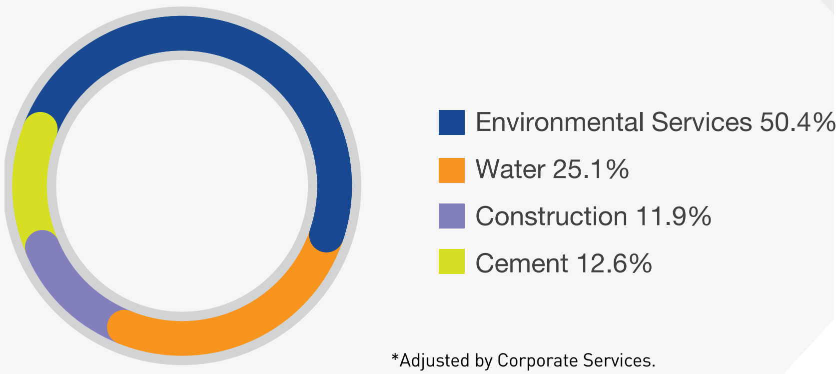
REVENUE AND EBITDA BY BUSINESS

	Revenue in 2014 (million EUR)	Var./2013 (%)	EBITDA 2014 (million EUR)	Var./2013 (%)
Environmental services	2,805.0	**+1.2%**	418.3	**-1.5%**
Water	954.0	**+0.9%**	208.4	**+7.6%**
Construction	2,076.1	**-20.1%**	98.2	**+4.1%**
Cement	542.9	**+0.4%**	50.4	**+107.9%**
Corporation and adjustments	(43.9)	**-57.9%**	(25.7)	**+43.8%**
Total	6,334.1	-6.2%	804.0	+12.1%

% INCOME BY GEOGRAPHICAL AREA

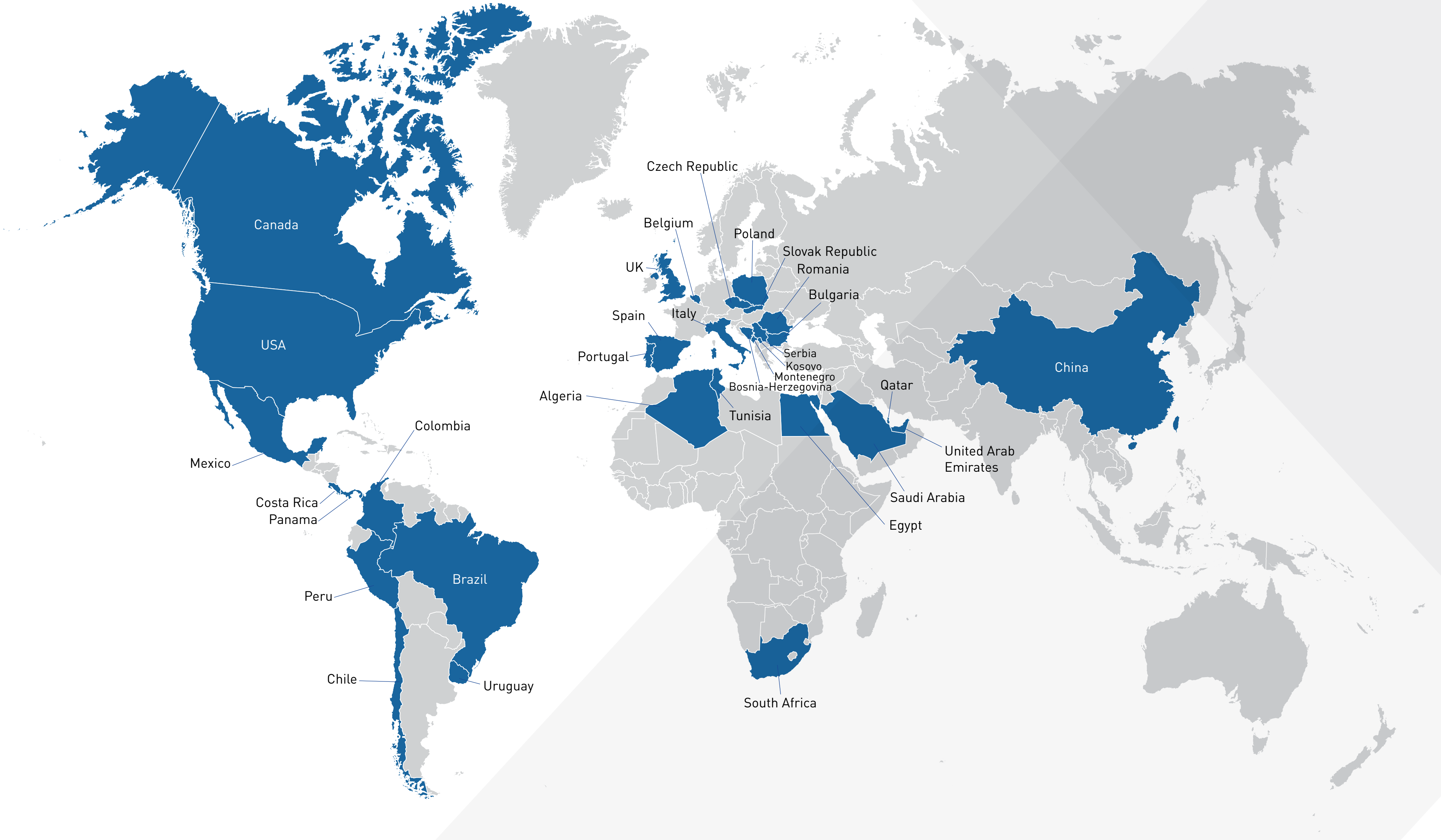


% EBITDA BY BUSINESS AREA*



*Adjusted by Corporate Services.

2. FCC GROUP'S FOOTPRINT



3. READY FOR GROWTH

3.1. 2014 results and outlook for 2015

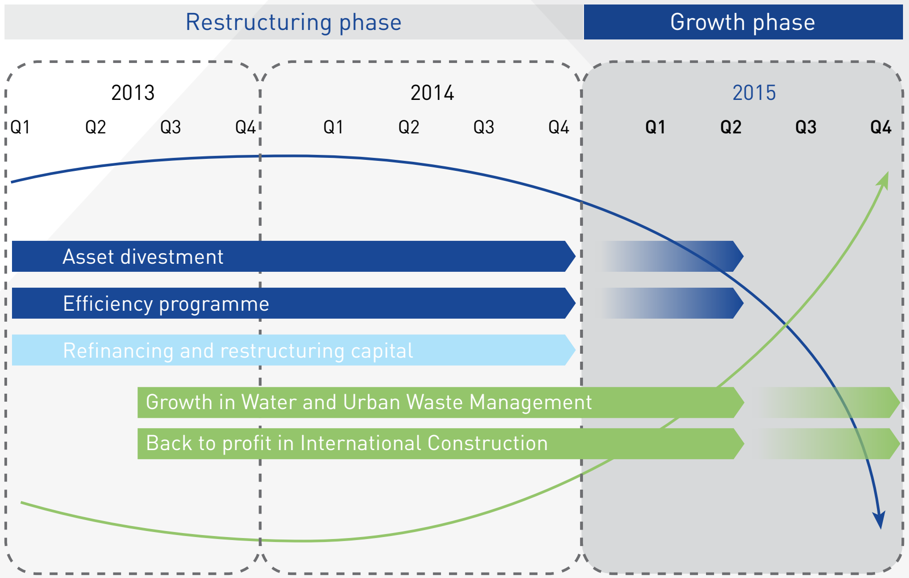
In 2014 FCC Group successfully completed the restructuring phase undertaken over recent years. The strategy of FCC Group is now to focus on strengthening its position as a global leader in Environmental Services and Water, maintaining a selective presence in the most profitable projects in the construction area.

FCC Group addresses 2015 with prospects of standardisation and growth after successfully carrying out the debt restructuring and a reorganisation process of 3,576 million euros. During 2014, FCC Group has renegotiated its entire financial debt, by extending the maturity to 2018, in addition to reducing its losses by more than half compared with 2013. On the other hand, it has managed to reduce the debt by almost 1,000 million euros and achieved an EBITDA of 804 million.

In 2015 FCC Group aims to reduce its debt by 1,500 million euros, achieving an operating profit exceeding 750 million euros with a debt ratio on gross operating profit (EBITDA) four times lower than the current one. Cash generation remains a clear objective, together with the divestment of some non-strategic assets.

3.2. Next steps

- Maintain a leadership position in environmental "Utilities" in mature markets in which FCC Group operates.
- Growth in waste management supported by regulatory demands (recycling and treatment) in mature and growing markets. Seize opportunities in waste recovery (EfW) in pre-selected markets across all geographic regions.
- Expansion in the water sector through new opportunities in the management of the integrated cycle with related maintenance services and "turnkey" projects. Main focus on Latin America, Middle East and North Africa.
- Selective presence in specialized projects in the area of construction by prioritising returns and cash generation over size.
- Continue to reduce financial leverage and improve operational efficiency, as well as review the divestment programme in order to maximize its value and cash generation.



4. THE KEYS FOR RETURNING TO THE PATH OF GROWTH

4.1. Strengthening equity and financial and operational stability

The Extraordinary General Meeting held on November 20, 2014, approved a capital increase with preferential subscription rights amounting to 1,000 million euros, which was launched by the Board of Directors on 27 of the same month, equivalent to 133,269,083 new shares at a subscription price of 7.5 euros per share. On December 19, 2014 it was completed with the full subscription of the new shares with a demand exceeding 9.2 times the share offer.

This capital increase represents the completion of the Group's financial and operational stability process and the beginning of a new phase of concentration on the profitability of operations and return to growth. The funds raised will enable FCC to strengthen its equity, reduce debt and improve the bottom line through a substantial reduction of the financial burden.

Of the 1,000 million euros from the capital increase, 765 million euros was earmarked to repay and amortize 900 million euros of tranche B of the corporate banking debt, with a reduction of 15%, and another 200 million euros were used to reduce the debt of the subsidiaries Cementos Portland Valderrivas and FCC Environment UK, and the remaining 35 million euros will be used to cover the cost of the whole transaction.

Thus, the Group has managed to considerably reduce its debt during the year, significantly increasing its maturities and strengthening its capital structure.

4.1.1. Debt reduction and refinancing

The net financial debt was reduced in 2014 by 15.9 %, after the capital increase carried out in December last year, standing at 5,016 million euros at the end of 2014. In addition, the Group has achieved the refinancing of all the financial debt with the creditor banks and it has taken a large step in improving the financial structure of the Company, reducing financial costs and incorporating relevant and prestigious national and international investors into its shareholders, which will allow the opening of new contracts for the Group.

Prior to summer FCC closed a refinancing initiative through a syndicated loan of 4,512 million euros. National and international banking entities participated in the syndicate. Among the large national banks, are Banco Santander, BBVA, Bankia and La Caixa.

4.2. Confidence of international investors in the business project represented by FCC

In November 2014 negotiations between the controlling shareholder (B-1998) and Control Empresarial de Capitales S.A. de C.V. (CEC), controlled by the Slim family, were successfully concluded. Subsequently, during the period of preferential subscription of the capital increase carried out by FCC Group, CEC subscribed a total of 66,794,810 newly issued FCC shares, which represent 25.6% of the share capital of FCC after the capital increase. After the transaction and the recent capital reduction in B-1998 the relevant shareholder structure of FCC is now 25.6% CEC, 22.4% B-1998 and 5.7% in the hands of BGI (funds linked to Bill Gates).

4.3. Presence in strategic projects in all geographic regions

4.3.1. Construction project for the Riyadh Metro (Saudi Arabia)

During the month of April 2014 FCC began works on the Riyadh metro, to date the world's largest global metro project, with a total length of 176 kilometres and a total budget of 16,300 million euros, of which around 6,000 million euros correspond to works on lines 4, 5 and 6, which were awarded to the FAST consortium led by FCC.

In particular, the construction of these three lines will consist of 25 stations, for which a total of 65 kilometres of metro track, 24 viaducts, 28 underground lines and 13 over-ground routes will be needed. 69 automatic driverless trains will also be manufactured to serve the three lines.

Since the project was awarded in July 2013 around 250 people have already been incorporated into the consortium team in Riyadh. In addition, another 300 people have been distributed between Madrid, Paris, London, New Delhi and Dubai to support the project. In total FAST will employ more than 15,000 people, of over 15 different nationalities. The contract establishes a five-year period for the completion of the project.

4.3.2. Construction project for the Lima Metro (Peru)

EIn April 2014, FCC Group signed an agreement for the construction of the Metro in the Peruvian capital under a consortium led by ACS and FCC, which also comprises the Peruvian construction company Cosapi. The contract includes the design, construction, financing, operation and maintenance of line 2 and a branch line of line 4, which will run as far as the airport.

The awarded project consists of the construction of 35 underground metro stations connected by 35 kilometres of tunnels. More than 3,000 professionals will participate in the works.

The scheduled period for the construction phase is five years, after which it will start operating, planned for 30 years.

4.3.3. Management of the sanitation system of the city of Al Dhakira (Qatar)

The subsidiary FCC Aqualia will manage the sanitation system of the city of Al Dhakira over the next 10 years, amounting to 300 million euros.

Through its subsidiary Aqualia MACE, in consortium with Hyundai Group, the Company will be responsible for the design, construction, operation and maintenance of wastewater treatment facilities, wastewater pumping stations, a transfer pumping station and collectors associated with the city of Al Dhakira.

The new treatment plant will handle an average flow of 56,200 cubic metres and will serve a population of over 200,000. The network will have more than 35 kilometres of pipes, a peak flow of 168,000 cubic metres, and a wastewater holding tank of 84,000 cubic metres.

4.3.4. Waste management in Edinburgh and Midlothian (United Kingdom)

Through its subsidiary in the UK and FCC Medio Ambiente, the Company will manage up to 135,000 tonnes of waste per year, as part of a 25-year contract.

The contract includes the construction, financing, operation and maintenance of a waste plant, which is the sixth such facility owned by the Company in the UK. The approximate cost of the project amounts to 600 million euros.

This contract is expected to help local authorities in Scotland to reach a recycling rate of 70% and reduce the amount of waste sent to landfills to less than 5% before 2025.

THE TEN LARGEST CONTRACTS BEING EXECUTED BY FCC GROUP

Project	Country	Value of the project *Million euros*
Riyadh Metro	Saudi Arabia	6,070
Lima Metro	Peru	3,800
Line 1 of the Panama Metro	Panama	1,112
Relizane - Tissemsilt railway line	Algeria	934
Three Transylvanian railway line projects	Romania	830
Mersey Bridge	United Kingdom	700
Waste Management in Edinburgh and Midlothian	United Kingdom	600
Gerald Desmond Bridge	USA	540
Doha Metro	Qatar	500
Panama Hospital Complex	Panama	440

PFI AWARD “EUROPEAN INFRASTRUCTURE 2014” FOR THE MERSEY BRIDGE

FCC Group received the award from the Project Finance International publication in London, which recognises the best international financial projects. The award is in recognition of the overall work carried out by the Company.

The Mersey Bridge in Liverpool (UK) represents a total investment of 700 million euros. It is estimated that the project will bring huge economic, transport and social benefits to the area. Among the most noteworthy is the creation of 4,640 direct and indirect jobs.

Through a consortium, in June 2013, FCC was awarded both the concession and the construction. FCC’s proposal involves the construction of a new crossing over the river of a total length of around two kilometres, located east of the Silver Jubilee Bridge. The bridge will provide service to approximately 80,000 vehicles per day. Furthermore, significant urban re-development will be carried out, including dual carriage ways for accessing the bridge, with seven kilometres of roads. Of these, about one kilometre corresponds to newly built viaducts.

5. MAXIMUM TRANSPARENCY IN ECONOMIC ACTIVITY

5.1. Market capitalization

FCC Group ended the year with a significant increase in its capitalization, amounting to 3,062 million euros, because of the strengthening of its capital generated by the capital increase at the end of 2014.

5.2. Trading and shareholding

The volume traded this year exceeded 338 million shares, with a daily average of 1,331,501 shares, 66.8% more than the daily average of 2013. Over the whole year, a volume of 130% of the total share capital has switched hands.

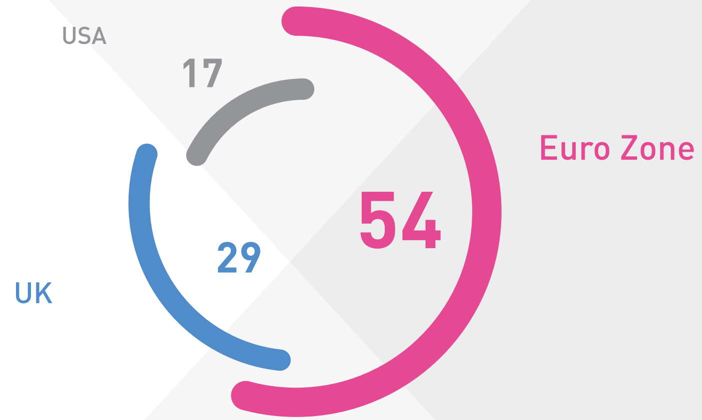
No impact is estimated on performance obtained for the shareholder of the liquidity contract in treasury stock, since their nature and purpose is contrary to the existence of same, nor equally in earnings per share of FCC Group.

The share capital of FCC Group is composed of 260,572,379 ordinary shares with a nominal value of 1 Euro each. All shares in FCC have full political and economic rights. The shares belong to the same class and series, there are no preferential shares, and they are free of encumbrances and charges.

The shares of the Company are listed on the four Spanish stock exchanges (Madrid, Barcelona, Valencia and Bilbao).

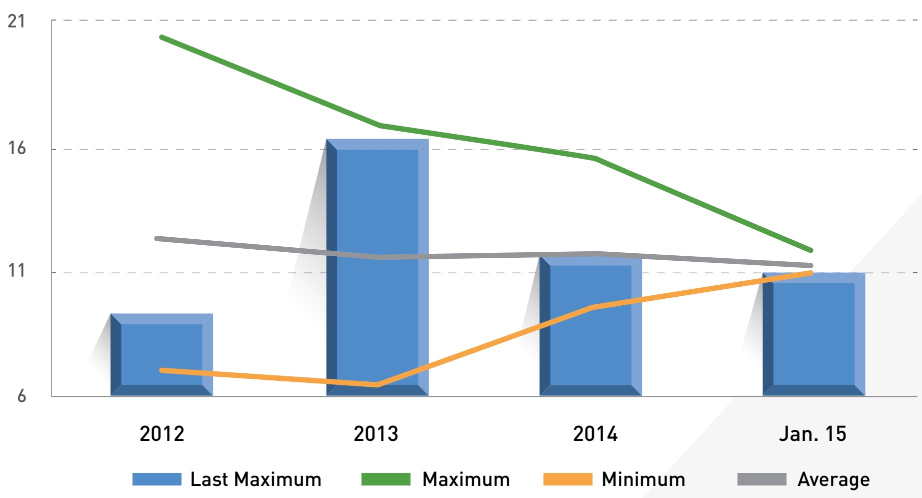
SHAREHOLDER STRUCTURE AFTER CAPITAL INCREASE		
Slim Group	66,788,648	25.63%
B-1998	55,224,260	21.23%
Azate, S.A.U. (1)	8,353,815	3.21%
William H. Gates III	14,852,625	5.73%

(1) 100% subsidiary of B-1998 S.A.



Source: prepared by FCC.

Historical information on the share price of FCC Group, shows a rise in price in late 2013.



The free float capital of FCC Group is 44%. Its estimated distribution is as follows: 8.9% Spanish minority shareholders, 3.5% Spanish institutional investors, and the remaining 31.6% overseas institutional investors. The composition of the free float capital, according to the origin of the shareholders, is 17% from the United States, 29% from United Kingdom and 54% from the Euro zone.

The FCC Board of Directors decided on December 2012, according to prudent management principles and in the best interest of all shareholders of the Company, not to pay dividends. This agreement remained unchanged in the year 2014.

This decision, within the framework of the restructuring process which has been on-going for two years, and which aims to increase operational efficiency and strengthen of the balance sheet, will have to be ratified by the General Meeting of Shareholders which is to be held in the first half 2015.

THE CAPITAL STRUCTURE OF FCC GROUP				
	2011	2012	2013	2014*
Total Volume (millions of shares)	150.88	113.90	203.56	338.46
Total Cash (M€)	2,997	1,395	2,378	5,197
Capital turnover (%)	119	89	160	130
Capitalization (M€)	2,551	1,193	2,059	3,062
Share capital (millions of shares)	127.30	127.30	127.30	260.57

(*) Data adjusted for the capital increase carried out in 2014 amounting to 133.26 million shares.

II. MAIN LINES OF BUSINESS

1. ENVIRONMENTAL SERVICES

Providing eco-efficient services to communities, backed by solid experience

Necessary services with a rising demand
Cities have become centres of consumption, representing 67% of world demand for primary energy and their transition to low carbon economies having enormous cost implications.

The International Energy Agency estimates that to limit the emission of greenhouse gases (GHGs) investment in renewable energy and energy efficiency will run into billions over time.

1.1. Environmental services' solutions for society

The Environmental Services division maintains a strong commitment to the society it serves, minimising its environmental impact and applying the latest collection and treatment technologies. The FCC Environmental Services division provides various services through its different subsidiaries: FCC Medio Ambiente, FCC Environment (UK), .A.S.A. and FCC Ámbito. Among the activities offered are the following:

- Waste collection.
- Street cleaning.
- Urban waste treatment.
- Conservation of green areas.
- Sewer maintenance.
- Integrated management of industrial waste.

The strategy focuses on maintaining market share in Spain and growth in international markets. The Company is seeking expansion in mature markets and growth in the waste management sector, supported by the new regulatory requirements that are derived from the European Union Directive on waste recycling and treatment, as well as the imminent State Waste Framework Directive, which increases the objectives of the Autonomous Regions in the collection and preparation of waste for reuse. It also aims to take advantage of global opportunities in the recovery of waste in pre-selected markets.

1.2. Certificates held within the activity of Environmental Services.

ENVIRONMENTAL SERVICES CERTIFICATES			
Company	Management areas	Certification	Scope*
FCC Medio Ambiente Spain	Quality	ISO 9001	85.54%
	The environment	ISO 14001	85.55%
	PRL	OHSAS 18001	100%
FCC Ámbito	Quality	ISO 9001	85.05%
	The environment	ISO 14001	85.05%
	PRL	OHSAS 18001	55%
.A.S.A.	Quality	ISO 9001	99%
	The environment	ISO 14001	91%
	PRL	OHSAS 18001	
FCC Environment (UK)	Quality	ISO 9001	40%
	The environment	Carbon Trust Standard	100%
		ISO 14001	89%
	PRL	OHSAS 18001	

* Scope: % of turnover, except PRL whose scope corresponds to the percentage of coverage of workers.

Milestones in 2014

- Initiation of the contract for the management of municipal solid waste in Barcelona.
- Start of the waste management contract in the English town of Wigan for 25 years.
- Award of the project for the management and treatment of waste in the city of Edinburgh and the Council of Midlothian, Scotland.
- Start of the project for the management of municipal solid waste -street cleaning and gardens- Ponferrada, Spain.
- Award of the project for the management of waste in the city of Houston, USA.

Challenges in 2015

- Continue with the climate change strategy and the reduction of GHG emissions.
- Optimize the recovery and recycling of waste.
- Improve energy efficiency.
- Protect the hybrid resources.
- Enhance biodiversity.
- Connect with local communities.
- Reduce CO_2 emissions produced by trucks and other FCC .A.S.A. machinery.
- Maximize the generation of energy from landfill gas by FCC .A.S.A.

Prizes and awards 2014

- Award for the electric truck for rubbish collection in the II Awards for Best Practice in Sustainable Mobility organised by Renault Spain, through its Renault Foundation for Sustainable Mobility, and the Club of Excellence in Sustainability.
- Award to FCC MA for the implementation of eco-management measures in Cartagena at the VII Sustainable Development Awards.
- Recognition from the Integra Foundation for commitment to its involvement with people at risk of social exclusion.
- "We Build Healthy Business" Award to the Catalonia II Regional Office.
- Award in the Atlante Prizes for the Catalonia II Regional Office.
- Recognition from the Equality Commission of the Spanish Red Cross for FCC's commitment to the implementation of measures for equal opportunities between men and women.
- 'Incorpora La Rioja' Prize, organised by la Caixa bank's social programme.

2. WATER MANAGEMENT

Efficient management for a resource that belongs to everyone

It is estimated that by 2030, if no progress is made in terms of efficiency, water requirements worldwide will require a 40% increase in the current supply capacity.

Waste management, for its part, is an underlying problem as a result of increasing urban growth and development. The use of digital technology, the use of waste as a source of energy or the increase in the efficiency of the elimination of waste will help to take on this challenge.

2.1. Comprehensive response throughout the water cycle

The corporate purpose of the FCC Aqualia division is to obtain water, make it suitable for human consumption according to strict quality controls, distribution and subsequent treatment, in order to return it to nature in terms of the right quantity and quality, making efficient and sustainable use of resources and materials used in the process. FCC Aqualia's activities fall into two main types of services:

- Management of the integrated water cycle:
  - Public water services.
  - Control of water quality.
  - Municipal water-sports facilities.
  - Maintenance and operation of irrigation infrastructure.
  - Hydraulic infrastructure concessions.
- Design and construction of treatment, transport and storage systems of both urban and industrial water:
  - Wastewater treatment plants.
  - Purification plants.
  - Desalination plants.
  - Solutions for process water.
  - Hydraulic works.
  - Operation and maintenance services.

The strategy of FCC Aqualia seeks expansion through new opportunities for maintenance services and related turnkey projects. The Company is looking to expand internationally, with a clear focus on Latin America, North Africa and the Middle East.

Certifications held within the activity of integrated water management

INTEGRATED WATER MANAGEMENT CERTIFICATES		
Management areas	Certification	Scope*
Quality	ISO 9001	98%
The environment	ISO 14001	98.30%
PRL	OSHAS 18001	87%
R&D&i management	ISO 27001	Aqualia GIA and Aqualia Infraestructuras
Information security	ISO 27001	Aqualia Contact and the virtual office
Energy Management	ISO 50001	2.8 %
Management of testing laboratories	ISO 17025	Elite laboratories in Zone 5

* Scope: % of turnover, except PRL whose scope corresponds to the percentage of coverage of workers.

Milestones in 2014

- FCC Aqualia's entry into the US market.
- Consolidation of presence in North Africa, with projects such as the construction of the desalination plant in Djerba, Tunisia.
- Award of four projects in Latin America: two in Mexico and two in Chile.
- Initiation of the master plan and construction of the underwater drainage outlet in Punta Yeguas, Montevideo, Uruguay. This is the second phase of the IV Urban Sanitation Plan of the city.
- Award of the contract for the construction of the wastewater treatment plant in Pljevlja, Montenegro.
- Calculating of the carbon footprint of Aqualia Infraestructuras and entry into the register of the Climate Change Office at the Ministry of Agriculture, Food and Environment.
- Certification under ISO 9001 and ISO 14001 for contracts in Chile and Portugal.
- Development of the FP 7 Urban Water project with implementation of smart management in Almería and Czech Republic.
- Award of the project to build a Liquefied Natural Gas (LNG) storage tank in the port of Tahkoluoto, Pori, Finland.
- Award of the contract for the construction of an electrolytic zinc plant in Gazahouet, Algeria.
- Award of the conditioning contract for the central control station of the Medellin Metro in Valle de Aburrá, Colombia.
- Contract for the construction of the Marina Lugo gas pipeline, Lugo.

Challenges in 2015

- Full certification of the Company's energy consumption, together with AENOR, in several phases, certifying 15 contracts in 2015.
- Certification under ISO 9001 and ISO 14001 standards for all overseas contracts.
- Calculating of the carbon footprint of FCC Aqualia and entry in the register of the Spanish Climate Change Office.
- Participation in a R&D project supported by the European Union's Horizon 2020 program.

Prizes and awards 2014

- Third leading water management company in Europe according to the prestigious publication Global Water Intelligence.
- The Large Sustainable Enterprise Prize, for the Elan Project (autotrophic nitrogen removal), a new model of water purification with lower energy costs, developed in collaboration with the University of Santiago de Compostela as part of the Innovation + Sustainability + Network Award organized by Expansión, Bankinter and EON with the collaboration of IE Business School.
- Prize for the best scientific poster at the International Water Association (IWA) conference in Essen, Germany.
- Recognition for best scientific poster at the IWA congress in Lisbon, Portugal.
- iAgua award for the best reporting on IISIS.
- Award for the prevention of occupational risks in the second edition of the Health and Safety Awards.
- Company committed to Occupational Health and Safety Award granted by the Ministry of Education, Universities and Employment of Murcia.
- Second prize for Best Practice for Risk Control at the Asepeyo awards for Best Preventive Practices.
- Realito Aqueduct (Mexico): Global Water Intelligence publication prize for innovative financing structure of the macro project and the best project in Latin America for its innovative financing model given by the financial publication Euromoney.

3. INFRASTRUCTURE

Solutions focused on social progress and sustainable development

Cities are the centre of the challenges created by sustainability, as they are where innovative solutions with significant and rapid impacts should be developed.

Aspects such as the ecological footprint when it comes to decision-making, smart buildings and refurbishment, risk management with respect to climate change, or urban accessibility, are becoming increasingly important issues.

3.1. Working towards stakeholders' satisfaction

FCC Construcción division develops its business model in a profitable and sustainable way, investing in local development and helping to improve citizens' quality of life.

FCC Construcción activities cover all areas of engineering and construction.

Meanwhile, Cementos Portland Valderrivas Group is an industrial group with a strong mining component present throughout the entire cement business cycle, of which Cementos Portland Valderrivas, S.A. is the Group's controlling company. The Group is present in Spain, the United States, and Tunisia.

The strategy for infrastructure is to prioritize projects in which the Construction Division has competitive advantages such as its expertise in underground works, motorways, high-speed train lines, ports and airports. It is focusing on international business, and is expected to intensify activity in Latin America and gain greater prominence on the international scene. All this without forgetting the cement market in which the Group intends to maintain its presence.

Certificates held within the activity of Infrastructure

INFRASTRUCTURE CERTIFICATION		
Management areas	Certification	Scope* (% of certified activity)
Construction		
Quality	ISO 9001	97.4 (100% in Spain)
The environment	ISO 14001	77.4 (99% in Spain)
R&D&i management	UNE 166002	36.1
Information security	ISO 27001	36.1
GHG emissions	ISO 14064	36.1
Occupational health and safety	OHSAS 18001	81.5
Cements		
Quality	ISO 9001	79
The environment	ISO 14001	43 (100% in Spain)
Occupational health and safety	OHSAS 18001	73.9

* Scope: % of turnover, except PRL whose scope corresponds to the percentage of coverage of workers.

Commitment to Information Security of our customers

The construction division of FCC has developed and implemented an information security system for works with special security requirements, certified by AENOR according to standard UNE-ISO/IEC 27001, and is one of the first Spanish construction companies to achieve this for its Information Security Management System.

The Company uses indicators to measure the adequacy of countermeasures established from the security standpoint in order to keep the possible threats to our information assets under control and protect our customers.

Milestones in 2014

- Contract for the construction of the Mersey bridge in Liverpool, United Kingdom
- Signing of the contract for the construction of the Lima Metro, Peru.
- Contract for the construction of the Doha metro.
- Contract for the construction of the Chucas (Costa Rica) hydroelectric plant/dam.
- Awarded the construction of irrigation and drainage infrastructure in Beja, Portugal.
- Awarded the refurbishment of the Water Museum in Lisbon, Portugal contract.
- Awarded the contract for the urban development of the docks at the Marina in the La Coruña port.
- Grouping of the industrial activities of the Company into one single group: FCC Industrial.
- Increase of the civil works and industrial projects in FCC Construcción's order book.
- Development of management processes of the contract within the management and sustainability system.

Challenges in 2015

- Extend environmental certifications in all operations that are already certified.
- Systematization of the due diligence process.

- Completion of a basic guide which focuses on how to act during works regarding interaction with local communities, which include a special section on relationships with indigenous communities.
- Adapting the systems to the new standards ISO 9001, ISO 14001 and ISO 27001: 2015
- Enlarge the calculation of GHG emissions internationally.
- Maintain OHSAS 14001 certification in cement factories in Spain.
- Further reduce incidence frequency indices (FI) in Spain, Tunisia and the United States.
- Continue to use alternative raw materials as replacements in the manufacture of clinker in cement and use alternative fuel from biomass as replacements.
- Promote innovation through participation in the technological society for marketing new products and technology in international markets where Cementos Portland Valderrivas Group is not present.

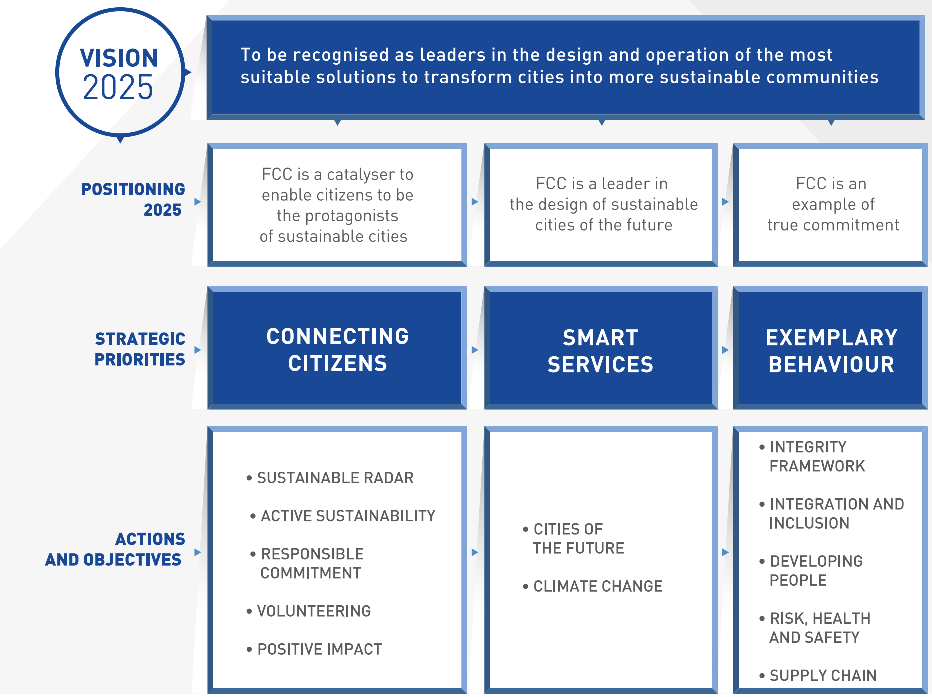
Prizes and awards 2014

- Green Apple Award, in the category of improving the environment and architectural heritage at Enniskillen Hospital.
- "Segovia Aqueduct" Prize from the Civil Engineering Association, for the best work, on the A-4 southern dual carriage way, on the section between Venta de Cárdenas and Santa Elena, better known as the Variante Despeñaperros.
- Nomination of FCC Construcción as "Environmental Ambassador" for 2014, in recognition of the environmental project developed for the construction of the Hospital of Enniskillen.
- Special Prize for Excellence in Infrastructure for the New Europe Bridge (Vidin Bridge) in the European Rail Awards 2014.
- Merit Award for Best Global Project awarded by The Engineering News Record (ENR) for the construction of the New Europe Bridge (Vidin Bridge) between Bulgaria and Romania.
- Prize from the Madrid region for the best international work (Civil Engineering Association, Madrid region), the New Europe Bridge over the Danube.
- IJ Global Europe & Africa Awards 2014 from the Project Finance International (PFI) publication for "European Infrastructure 2014" for the Mersey Bridge.
- Prize awarded to FCC Centroamérica by the National Environmental Authority of Panama (ANAM in Spanish) at the 12th edition of the contest for the Environmental Awards in the area of Cleaner Production.
- Award from the Spanish Network of the United Nations Global Compact to FCC Construcción, for promoting its mission as a partner for the last ten years.
- Health and Safety Award for different clients for the best accident rate statistics in the Construction sector.

III. STRUCTURE OF THE REPORT AND CLASSIFICATION OF PRIORITY ISSUES

The structure of the FCC Group 2014 Corporate Responsibility Report Group follows the Corporate Responsibility Master Plan 2012-2014 which ended in 2014. The information corresponding to the different areas of activity of the Group is organized under the following headings: Exemplary Behaviour, Smart Services and Connecting Citizens.

Corporate Social Responsibility Master Plan 2012-2014



On another level, the materiality process starts with the results of the study during the period 2013-2014. This study was developed based on the impacts of the various group activities and geographical areas of operation, resulting in a materiality matrix for each business area and a list of material issues for corporate business. The final matrices are shown in the following table.

The materiality study conducted for this report included a validation phase through external interviews that have been performed with five external prescribers in the field of investment and extra-financial analysis of companies. It also includes an internal validation, developed through interviews with representatives of different areas of the Company.

	Environmental services	Water	Infrastructure
Exemplary behaviour	1. Training and education 2. Diversity and equality of opportunities 3. Occupational health and safety 4. Employment	1. Training and education 2. Health and safety of customers 3. Fight against corruption 4. Diversity and equal opportunities	1. Fight against corruption 2. Training and education 3. Occupational health and safety 4. Employment
Smart services	1. Emissions 2. Wastes 3. Energy 4. Compliance 5. Water	1. Water 2. Wastes 3. Emissions 4. Energy 5. Biodiversity	1. Emissions 2. Biodiversity 3. Wastes 4. Energy 5. Water
Connecting citizens	1. Local communities 2. Mechanisms to make claims related to social impacts	1. Local communities 2. Marketing communication	1. Local communities 2. Indirect economic consequences

IV. EXEMPLARY BEHAVIOUR

Integrity and business ethics as hallmarks of our business model

FCC Group's framework of integrity is supported by benchmark ethical principles, such as the International Corporate Governance Network (ICGN), the new Code of Good Governance for Listed Companies, approved in February 2015 by the CNMV (Spanish Securities and Exchange Commission), or the requirements of institutional investors or related sustainable investment such as FTSE4Good, the Dow Jones Sustainability Index and the Equator Principles, and is the basis of the company's exemplary behaviour. FCC is aligned with these provisions and is committed to the development, and health and safety of the people who make up FCC. Finally, the principles of responsible recruitment are a reflection of the sustainable approach of the Company to the value chain.

Content

1. Commitment to Good Governance
2. Integrity and ethics framework
3. FCC's team of professionals
4. Extending FCC's principles along the supply chain

1. COMMITMENT TO GOOD GOVERNANCE

The hallmarks of FCC Group's corporate governance are aligned with the recommendations and principles of both the International Corporate Governance Network (ICGN) and the Code of Good Governance for Listed Companies prepared by the CNMV, with the purpose of ensuring its functions in the monitoring of the Company's strategy under transparent and responsible management.

Commitment to Good Governance FCC Group	
Quality and complementarity of the managers of FCC	• Separation of the figures of the President and CEO. • Three independent directors (21% of the Board). • Five women on the Board of Directors (36% of the Board). • The Audit and Control Committee chaired by an independent director.
Monitoring of risks and the Group's strategy as main responsibilities	• Integrated risk management model. • Manual for the prevention and response to crimes. • Code of ethics.

Milestones in 2014

- Adoption of the Board's self-evaluation process.
- Chair of the Sustainability Excellence Club's Corporate Governance Committee.
- Management of the study of the social, environmental and ethical requirements requested by institutional investors through Sustainability Excellence Club.
- Signing, with the Ministry of Health, Social Services and Equality, of the agreement for the promotion of the equal participation of women and men on its Board.
- Participation in the development programme, aimed at women with high potential, of the Ministry of Health, Social Affairs and Equality.

Challenges in 2015

- Analysis and adaptation to the recommendations made in the new Code of Good Governance of the CNMV.

1.1. Balance and diversity in the governing body

1.1.1. A renewed Board

The FCC Group's Board of Directors has what it considers being the best structure and composition to perform its strategic mission effectively. Until December 2014 it was made up of 14 directors, and the Board offers the talents of a highly qualified team of people to its shareholders.

As a reflection of the Company's commitment to the interests of their shareholders the separation of the figures of the Chairman and CEO can be highlighted. Thus FCC Group is capable of ensuring the proper functioning of the Board of Directors while overseeing the interests and expectations of the shareholders of the Group at the same time.

The Board also has three independent directors, who work to ensure adequate protection of the interests of the free float capital. Meanwhile, following the recommendations of the CNMV's new Code of Good Governance, directors representing controlling shareholders, along with independent directors, represent a large majority of the Board.

The CNMV's new Code of Good Governance names the Board as the supervisor of the Corporate Responsibility strategy.

In February 2015 the Spanish Securities and Exchange Commission (CNMV in Spanish) published a new Code of Good Governance for Listed Companies, with 64 recommendations, which replaces the previous Unified Code of May 2006.

One very important aspect is the incorporation of three specific recommendations regarding the supervision of corporate social responsibility by the Board of Directors.

Recommendation 53

The job of supervising compliance with the rules of corporate governance, internal codes of conduct and the policy of corporate social responsibility should be entrusted to one committee or shared between several committees of the Board of Directors, this may be the Audit Committee, the Appointments' Committee, the Committee of Corporate Social Responsibility, if applicable, or a specialised committee that, in exercising its powers of self-organisation, decides to create for that purpose, a committee which is specifically attributed with the following minimum functions:

a) The supervision of compliance with internal codes of conduct and corporate governance rules of the Company.
b) The supervision of the communication strategy and relations with shareholders and investors, including small and medium shareholders.
c) The periodic evaluation of the adequacy of the Company's corporate governance system, in order to fulfil its mission of promoting social interest and consider, as appropriate, the legitimate interests of other stakeholders.
d) The review of the corporate responsibility policy of the Company, ensuring that it is aimed at value creation.
e) The monitoring of the strategy and corporate social responsibility practices, as well as the evaluation of their compliance.
f) The supervision and evaluation of the processes associated with different stakeholders.
g) The assessment of all matters relating to non-financial risks of the Company, including operational, technological, legal, social, environmental, political and reputational matters.
h) The coordination of the process of reporting of non-financial information and information on diversity, in accordance with the applicable regulations and international standards of reference.

Recommendation 54

The policy of corporate social responsibility includes the principles and commitments voluntarily assumed by the Company in its relationship with the different stakeholders and the identification of at least:

a) The objectives of the policy of corporate social responsibility and the development of support tools.
b) The corporate strategy related to sustainability, the environment and social issues.
c) Specific practices on issues related to shareholders, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal conduct.
d) The methods or systems for monitoring the results of the implementation of the specific practices identified in the previous paragraph, the associated risks, and their management.
e) The mechanisms for monitoring the non-financial risk, ethics and business conduct.

Recommendation 55

The Company should report in a separate document, or in the management report, on matters related to corporate social responsibility, using any of the accepted international methodologies.

In its commitment to diversity, FCC Group stands out as one of the IBEX35 companies with the highest number of women on its Board. Article 42.3.h of the Board Regulations establishes the following within the functions of the Appointments and Remuneration Committee: "Ensure that when new vacancies on the board arise, the selection procedures are not implicitly biased against the selection of female directors, so that the Company deliberately seeks and includes among potential candidates, women who meet the professional profile sought, and the Board shall explain, where appropriate, through the Annual Corporate Governance Report, the reason for having few or no female directors, and the initiatives adopted to correct this situation".

Commitment to increase the presence of women on the Board of Directors and management positions within the Company

The promotion of diversity on management bodies represents a real commitment of FCC Group. During 2014, FCC Group signed two agreements to fulfil this commitment.

- Development programme aimed at pre-management women with high potential

FCC and the main companies in the Group: FCC Construcción and FCC Aqualia and FCC, S.A. signed an agreement with the Ministry of Health, Social Affairs and Equality whereby they undertook to increase the presence of women in management positions and on boards of directors.

For its part, FCC as head of the Group, in the coming years undertakes to promote the balanced participation of men and women on its Board of Directors. This agreement, signed by Esther Alcocer Koplowitz, Chairman of the Company, has the backing of the Board of Directors and Management Committee.

With these agreements, FCC goes one step further by implementing its Equality and Diversity Policy approved by the Board of Directors; in promoting the development of measures contained in the different equality plans in companies and in creating a culture of equality and non-discrimination, which is essential to highlighting women's leadership in order to encourage their participation in positions of responsibility.

- Agreement with the Ministry of Health, Social Services and Equality

In November 2014 FCC signed an agreement with the Ministry of Health, Social Services and Equality for the promotion of balanced participation of women and men on their Board of Directors (the Partnership Agreement between the Ministry of Health, Social Services and Equality and FCC Citizen Services to promote the balanced participation of women and men on boards of directors). Under the agreement, the Board of Directors of FCC is committed, among other issues, to progress in the implementation of the recommendation of article 75 of Organic Law 3/2007, of March 22, for the effective equality of women and men; to make data on the directors publicly known and keep it appropriately updated pursuant to recommendation 28 of the Unified Code of Good Governance; including in the internal regulations explicit references to the promotion of the balanced participation of women and men on the board, as well as incorporating the underrepresented sex onto the board of directors.

FCC believes that diversity on governing bodies is a strategic issue and as such represents one of the most important qualities to ensure effective decision making. In this sense, FCC agrees with the view of the International Corporate Governance Network, which states that diversity is important for the proper functioning of any Board.

The International Corporate Governance Network (ICGN) is a global association of institutional investors whose mission is to inspire and promote standards related to Good Governance for the development of efficient markets and economies around the world through three lines of activity: influencing policy, promoting networking and communication and performance of informative work for professionals and experts in matters of corporate governance.

1.1.2. Evaluation and efficiency of the Board of Directors

Regulations of the Board of Directors ensure minimum attendance levels and establish that the Board members may participate by telephone or videoconference.

On May 19, 2014, the Board of Directors of FCC issued the report which evaluates the quality and efficiency of its operation, as well as that of its Committees, with respect to the year 2013, in order to comply with the duty imposed by Article 38.6 of the Regulations of the Board of Directors.

In 2014, the evaluation process was conducted assessing the various aspects that affect performance, efficiency and quality in the proceedings and decision-making of the Board of Directors, and the contribution of its members to undertaking the functions and achieving the goals that the Board has assigned.

In 2014, the Board of Directors held 13 plenary meetings, in which the following topics on matters of Good Governance and social responsibility were addressed:

- approval of FCC's Social Responsibility report,
- approval of FCC's Corporate Governance report,
- review of the operation of the manual for prevention and response to crime and complaints' channels.

1.2. Risk management and responsibilities of the Board of Directors

1.2.1. Integrated Risk Management Model

The Integrated Model for Risk Management of FCC Group is currently in the process of improvement and development. The new model will allow the Company to foresee the materialization of possible risks to which its activities are subject, as it operates in geographical areas, activities and numerous legal environments, which in turn involve different levels of risk.

A high-level Risk Map

FCC Group has a new risks' model, which is currently partially implemented, using the Enterprise Risk Management (COSO II) methodology, which provides senior management with information and, upon full implementation, will contribute to defining the strategy of FCC Group.

FCC Group's risk management is consistent with the business strategy, always seeking maximum efficiency and solvency. For this reason, strict criteria are laid down for the control and management of the risks, which consist in the identification, measurement, analysis and control of the risks incurred in the Group's operation, with the ultimate goal of correctly integrating the risk policy into its organization.

Risk management is carried out on each of the Group's business lines, developing a risk map for each of them, which is used to produce a consolidated risk map of FCC Group. Risk Management is carried out using this model in each line of business through the following:de negocio a través de:

- The identification of key risks for FCC Group based on their potential threat to achieving the organisation's objectives, at the level of each line of business.
- The evaluation of the risks. The risk assessment scales are defined in terms of their potential impact should they materialise, and the probability of their occurrence.
- The identification of the controls and procedures that mitigate both the economic impact and the probability of their occurrence.
- The identification of an owner for each of the identified risks, as the primary person responsible for maintaining the appropriate level of internal control.

One of the main risks of FCC Group in recent years has been the risk inherent in construction activity both domestically and internationally. In this sense response plans are established by the Group during the year as part of a global restructuring process of the construction business and are as follows:

- Domestic Construction: Adjustments of means of production to the reality of the market by preventing deterioration of profitability:
- Adjusting the workforce to the current market situation.
- Reduction of the commercial structure, adapting it to the current market situation.
- International construction: boosting profitability focused on specific geographic regions and carrying out a selection of works and in more profitable markets, as well as growth of the industrial business in selected geographic regions. Additionally, in the same way as in domestic construction, the commercial structure is being reduced, adapting it to the current market situation.

1.2.2. The role of the Board of Directors' committees and commissions

For the proper operation of the business, the Board of Directors has four committees:

1 This committee makes decisions on investments, divestments, credits, loans, guarantees and bonds, or any other financial facility.

2 This committee supports the Board of Directors in its supervisory tasks by periodically reviewing the processes employed to prepare economic-financial reports, internal controls and ensuring the independence of the external auditor.

3 Its functions are focused on advising and proposing the appointment of senior executives with profiles that are best suited to the job and functions. In addition it is responsible for ensuring the remuneration policy established by the Company is observed; in particular it proposes the remuneration policy for Board members and senior executives to the Board of Directors.

4 This committee keeps the Board updated on all investments, divestments, partnership agreements with third parties, development of new activities and financial operations that could affect the Group's strategies. It is also responsible for informing the Board on all other matters that are not within the remit of the other Committees, and that may be submitted to it.

2. INTEGRITY AND ETHICS FRAMEWORK

Commitment to integrity, honesty and transparency

Following the recommendations of the Federal Sentencing Guidelines, FCC Group reinforces its commitment to ethics and due diligence in the prevention, detection and eradication of irregularities. Following the requirements of said reference, FCC has implemented all elements that ensure the implementation of the integrity framework, that is, the code should be known, understood and complied with by all employees of the organization.

Milestones in 2014

- 21 complaints received, mostly related to professional development, equal opportunities and non-discrimination.
- A letter was sent by the CEO to employees in Spain and expatriates to get their support by means of signing the Code of Ethics.
- Approval of the Fiscal Code of Conduct.
- Approval and partial development of the plan for dissemination and training in the FCC Compliance System.

Challenges in 2015

- Full implementation of the plan for dissemination and training in the FCC Compliance System.
- Adaptation of the Code of Ethics to the requirements of the new Criminal Code.

2.1. The FCC compliance model: due diligence in the field of ethics and integrity

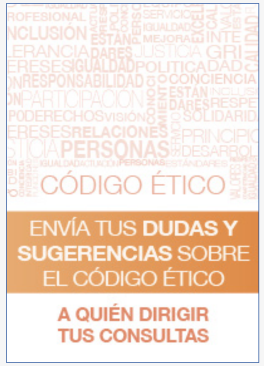
2.1.1. Regulations and procedures for compliance in FCC

FCC has a Code of Ethics that sets out the principles that guide the conduct within the Group and outline the relations between Group employees and between them and other stakeholders. The ethical principles included in the Code affect all administrators, managers and employees of the companies in the FCC Group, and they are compulsory.

The Code provides that all employees can make complaints via the Group's Intranet, confidentially and without fear of reprisal, with respect to actions or inappropriate behaviour in light of its principles.

Similarly, FCC Group has an Internal Code of Conduct in the securities market and an internal communications channel for ethical matters, irregularities or workplace or sexual harassment issues.

FCC Group also features a manual of crime prevention and response. Through this manual a structured internal control system is established aimed at mitigating the chances of Group personnel committing a crime of any nature that can lead to the criminal liability of legal persons.



The manual covers two distinct sections based on the logic and the experience of risk management on the part of the Company:

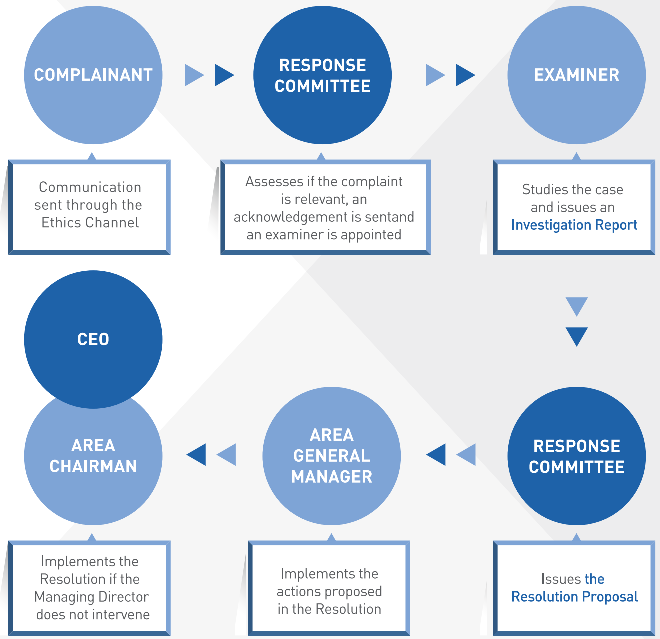
- A first phase based on prevention and related to the identification and updating of behaviours that pose a risk of offences being committed that may occur within the Group, as well as in the planning and implementation of mitigating controls.
- A second phase corresponds to the bodies and procedures that will provide a response to those indications that may involve committing any irregularities within FCC Group.

Furthermore, it should be pointed out that the procedures established in this manual are compulsory and have the highest ranking in FCC Group's regulations.

2.1.2. Supervision, monitoring and response regarding the provisions of the Code of Ethics

The responsibility of promoting the dissemination, knowledge and compliance with the Code of Ethics belongs to the Response Committee, the responsible body approved by the Group's Board of Directors. Said committee consists of the General Manager of Internal auditing, who chairs the Committee, the General Manager of Legal Counsel, the General Manager of Human Resources and the Corporate Responsibility Manager, who serves as Committee Secretary and Coordinator. Monitoring of the communication procedure in matters relating to criminal offences and in general with FCC Group's Code of Ethics, rests with the Response Committee.

The following diagram defines the communications management process of the Code of Ethics:



2.1.3. Irregularities and disciplinary measures

FCC offers all employees an internal communication channel. Through this channel, employees can report, confidentially, any irregularities discovered and consult queries or propose improvements to existing systems in the Company within the areas covered by the Code. All FCC Group personnel are required to report any breaches they discover related to the Code of Ethics.

To report any kind of irregularity, FCC offers its employees an e-mail address (comitederespuesta@fcc.es), and postal address, to the attention of the Chairman of the Response Committee.

During 2014 a campaign has been carried out to publicise FCC's Ethics Compliance System so that all employees understand the importance of reporting any possible irregularity or possible malpractice.

2.1.4. Communication and training on the Code of Ethics

FCC Group has carried out the design of a new training course to be launched in 2015, which includes developments and changes made to the Code of Ethics. This aim of the course is to ensure that all Group employees know, understand and identify with the principles and conduct set out in the process of defining FCC's Code of Ethics. As an ultimate goal, the course aims to support the strategic objective of the Company to develop a global company culture within FCC.

Elements of the dissemination and training plan for the Code of Ethics

CODE OF ETHICS / RESPONSE MANUAL

Executives	Employees with a PC	Employees without a PC
Summary document sent by the CEO	Summary document sent by the CEO Also on-line training for employees outside Spain	Classroom-based training
Intranet, web and other electronic media campaign		Physical media campaign

The main channels for training are, therefore, the following:

- Website: specific module on the Code of Ethics, the Manual and the Response Channel.
- Intranet: Module in the Welcome Manual; CEO's blog; Informative tips; Specific module on the Code of Ethics, the Manual and the Response Channel.
- Physical media: Informative tips according to subjects at work centres.

The online training modules are structured around the importance of compliance with the legal, regulatory and professional requirements assumed by FCC Group and the obligation to report any breaches, as well as understanding the conduct commitments contained in the Code of Ethics and the procedures and protocols associated with it.

FCC Group's New Fiscal Code of Conduct

In 2014 FCC Group adopted the new Fiscal Code of Conduct, a document that establishes the policies, principles and values that should guide the behaviour regarding tax matters within the Group.

The new Code is aligned with the mission, vision and corporate principles of the Group, in addition to the policy of corporate social responsibility and, in particular, the Code of Ethics.

Obligations in tax matters

The Code provides a set of principles for action that all FCC Group employees must follow. In this regard, they must comply with, where applicable, the duties that correspond to their activities and functions within the Group, the procedures for managing the tax matters defined in the "Fiscal Regulation Control Framework of FCC Group".

On the other hand, employees with responsibilities in the fiscal matters of the Group must comply with the following obligations:

a. Observe the applicable tax regulations in each jurisdiction based on sufficiently reasoned and reasonable interpretations, as well as on a sufficient factual basis.
b. Respect the "Fiscal Regulation Control Framework" and the specific procedures for communication, performance and reviews concerning tax matters.

c. Ensure that relevant decisions on tax matters are overseen by senior management of the Group and are properly supported, based on a global and inclusive approach, which takes into account the different business variables as possible assumed risk.
d. Develop and foster a relationship of transparency and mutual trust with the tax authorities of each country.
e. Actively participate in tax forums of those business associations and international organisations of which FCC Group forms part, in order to propose specific tax measures aimed at achieving a fairer and more harmonized tax system for both the interests of the Group and those of society as a whole.

3. FCC'S TEAM OF PROFESSIONALS

3.1. A work environment based on communication and know-how

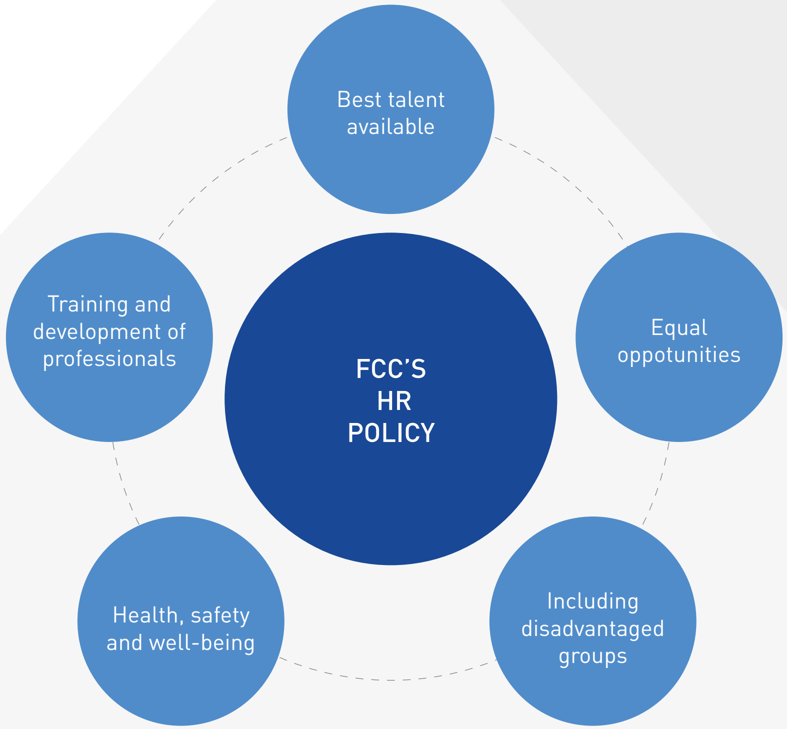
The FCC Group human resources team contributes in the organisational change that the Company needs for a successful adjustment to the new economic environment, which is increasingly dynamic, global and competitive.

The different business areas of FCC Group have been provided with their own Human Resources department, which reports to the Human Resources corporate management, which sets out the guidelines to follow. The aim is to ensure closer and more effective management to guarantee adequate and satisfactory solutions.

At FCC Group we base our behaviour on efficiency and integrity. The human resources' policies and values of FCC Group promote equal opportunities for everyone, offering each person the same opportunities for employment and promotion. Through our policies, we also favour retaining our organisation's talent as well as the integration of people at risk of exclusion; we are also involved in the causes of concern to the communities in which we operate. We maintain a real commitment to the health and safety of our people, through communication and their training and development.

The objectives of human resources directly related to the satisfaction of the people that make up FCC, are as follows:

1. Reinforce the motivation of key people within the Group.
2. Encourage the sense of belonging to the Group at international level.
3. Live the culture and corporate values.
4. Encourage the participation of FCC people in Group projects.
5. Support the process of integrating people and encourage their development.
6. Improve the skills of the Senior Managers.
7. Develop a comprehensive and holistic perspective with workers and healthyworkers, who are involved and trained as an investment in the future, both collectively and individually.



Milestones in 2014

- Signing new agreements with universities and business schools worldwide.
- Participation in the multi-company Talent Development Programme, together with the Transforma España Foundation.
- Publication of 190 internal processes to promote internal mobility of the Group's professionals.
- Extension of certification under OHSAS 18001 of a large amount of international business.
- FCC's launch of the Healthy Company Project and Social Network for Sport, and the celebration of FCC's first Health and Safety at Work week.
- Luxembourg Accession Declaration (health promotion).
- Partners of the European Agency's campaign for Health and Safety at Work 2014-2015 "Healthy Workplaces, we manage stress".
- Development of the Strategic Plan for Road Safety in different areas and organising child road safety education days.
- Organising the new International Programme for recently graduated engineers.
- Organising technical seminars for the Construction division, for executives and managers for the Company.
- Signing the diversity Charter to support the management of diversity in business, social and legal areas.
- Signing of the collaboration agreements between the Ministry of Health, Social Services and Equality (MSSSI in Spanish) and FCC Citizen Services to promote the balanced participation of women and men on boards of directors, as well as with FCC SA, FCC CO and FCC Aqualia, for the adoption of measures to increase the presence of women in managerial positions and steering committees.
- Renewal of the FCC-ONCE Foundation Agreement (FSC Inserta) reinforcing the full commitment of the Company to diversity and disabilities.
- Unprecedented campaign against gender-based violence, "Marguerite does not like me" in FCC and "I'm with you" in FCC Aqualia.
- Promote women's leadership through participation in the training programme organised by the General Directorate for Women at the Ministry of Social Affairs in the Autonomous Region of Madrid: "Lead your future" and "For talent."
- Agreement with the legal representation of workers in the main offices to increase flexibility for arrival and leaving times and to facilitate the reconciliation of personal and family life.

Challenges in 2015

- Launch of the sharepoint Health Community portal.
- Consolidation of the Healthy Company project in different business areas.
- Renewal of the Road Safety Strategic Plan.
- Reduction in the accident and absenteeism rates.
- Implementation of plans for the management of absenteeism in different business areas.
- Developing a plan for the social integration of people with disabilities.
- Internationalization of the new internal communication channel for FCC Construcción.
- Signing of the first Equality Plan with Servicios especiales de Limpieza, S.A. and the second Equality Plan for FCC Construcción S.A. and FCC Aqualia.
- Renewal of agreements for the integration of socially excluded groups.
- Provide training, selection and development functions that have a global and international vision.
- Redesign and standardization of the role of training throughout the Company.
- Design and implementation of the development function through a competency model: performance assessment, career plans and succession plans.
- Strengthening international internal mobility.
- Strengthening of competencies to focus on results and internationalization.
- Consolidation of international training programmes for young graduates in all areas.

3.2. Best talent available

3.2.1. Attracting talent

In 2014 FCC began a process of strengthening the profiles of the Group, in order to prepare the Company for the important internationalisation process and cultural change, by investing in talent.

Through the FCC Talent Management Department we strive to create the right environment to attract, manage, motivate, develop and retain the best professionals. To this end, tools that facilitate global internal mobility are developed, a culture of focusing on results is consolidated, and compensation policies and benefits are implemented. Additionally, the training processes are enhanced in all areas of management, performance evaluation systems are promoted, the analysis of employees' potential has been implemented, and finally, we have designed an organisational structure model based on responsibilities and competences.

Within the framework of the policy for the internationalisation of the Company and within the Plan for the internationalisation of talent, FCC has several projects for attracting young professionals.

The Company has signed educational cooperation agreements with universities and major business schools in Spain and other countries where it operates, such as the agreement signed with ICADE and the IE Business School. Furthermore, FCC has participated in employment forums at prestigious universities and international business schools. All this favours the recruitment of the best talent, accompanying our employer branding strategy with an increase in social networks of our employment offers, improving the Company's recruitment and selection capacity.

International Programme for Young Engineers

Through the Construction division, the Group has implemented a new International Programme for Young Engineers, which aims to attract and develop high-potential recent graduates to ensure the succession of key positions in the Company.

In the first edition of the programme 19 engineers were selected, who received in-class corporate training on different areas of the organisation. Once the theoretical training was complete, the engineers were assigned to different national and international projects, where they received practical training under the supervision and support of a tutor, who also helped them and assessed their performance.

The training programme has lasts between six and nine months, after which the international position that each engineer will occupy is decided.

In this way, we continue with the training and development of a professional team in line with the corporate strategy in any country or international environment, thus contributing to the achievement of the Company's strategic goals.

Multi-company Talent Development Programme

FCC has been collaborating since 2014 in the implementation of the Multi-company Talent Development Programme. The aim is to accelerate the development of young people with high potential from participating companies so that young talent is increased in the steering committees of the companies in Spain. It is therefore a commitment to recruit, manage and retain talent in our country.

3.2.2. Retaining talent

The different human resources policies favour the retention of talent within the organisation. Thanks to these policies FCC retains the best professionals year after year, and encourages the mobility of people in the Company. Moreover, the internationalisation policy allows the Company to offer opportunities on very competitive terms.

In this way FCC develops tools that facilitate global internal mobility, consolidates a culture that focuses on results, and implements payment policies and benefits. FCC has an internal mobility programme, which offers professional development opportunities, facilitates internal rotation and increases motivation, while the Company nurtures the most versatile and multi-skilled professionals. For this, the Group has an online application that is accessed via the Intranet, where all available vacancies are published. To ensure the confidentiality and transparency of the process and to guarantee the transfer of professionals between business lines, the internal mobility policy was changed during 2014.

The Company is also improving an organisational structure model based on responsibilities and competences. To this end the Company is working on redefining career paths for technical careers and career management by enhancing the training processes in different areas of management, improving performance management systems, and implementing potential analysis and succession-planning management.

FCC also has programmes for identifying talent, which allows the selection of the best professionals for the most complex projects and which pose a greater challenge for the organisation. As a novelty, and as stated earlier, in 2014 the Company launched a pilot programme aimed at mentoring pre-management women, which has allowed it to make progress in developing the talent of a prominent number of workers in relevant positions so as to increase the intellectual capital of the organization with respect to gender diversity.

Reputation evaluation. Corporate Reputation Business Monitor (Merco)

In 2014 the Company reached 48th place in the Merco People index, two places above that obtained in the previous year. This ranking aims to identify the 100 best companies to work for, and uses a methodology that incorporates both an internal analysis and a benchmark. The evaluation process incorporates the results of surveys carried out at universities, alumni of business schools, HR managers, employees of the most reputable companies, and the general public.

Also within this monitor are partial indicators that assess the quality of work, the employer brand and internal reputation to reflect different aspects of the occupational reputation of organisations.

With regard to the MERCO Manager indices, an indicator of the corporate social responsibility policies, and MERCO Companies, a reputation index, FCC has reached, in 2014, 46th and 66th positions respectively.

3.2.3. Training

The training of the people that make up the FCC professional team represents a priority for the organisation. That is why FCC has training schools and plans for both multi-disciplinary and business training, through which professionals receive comprehensive training in both managerial skills and technical expertise that enables them to be the best professionals in the market.

The main objectives of the training at FCC are the following:

- Achieve higher performance and efficiency of the personnel in the development of their functions and the operation of the Company.
- Achieve the goals of professional development of personnel, enhancing their employability.
- Adapt the profile of the employees to the new challenges of the organisation.

Taking into account the geographical dispersion, both domestic and international, training can be classroom-based or online. The aim is to facilitate the training of all professionals in the Group.

During 2014, in response to the strategic needs of the Company, but also as a response to the demand for professionals in FCC, the focus of the multi-disciplinary training has been on languages and finance, though it has maintained the structure of FCC's multi-disciplinary training courses with its five classic schools.

Multi-disciplinary training schools	
Management school	Administration and finance, quality and management tools, legal, information security, project management, communication and CSR, Human Resources, secretarial, Prevention of Occupational Risks.
School of principles	FCC principles, standards of expected behaviour of employees, internal rules on the matter.
Skills' School	Analysis and decision-making, effective communication, management by objectives, change management, leadership, negotiation, focus on results, planning and organisation, team work, training trainers, international business relations.
Office Suite School	User and professional level knowledge of office software.
Language School	English, German, French, Spanish, Portuguese and Arabic.

In 2014 a total of 375,826 hours of training was given at FCC with a total cost of 1.95 million euros. The largest percentage, in terms of time, of this training, 49% was directed to the Environment division's personnel in Spain. With regard to the gender approach and in correlation with the percentage of male and female staff, 81% of the training was for men and 19% for women.

With respect to the subjects taught, the technical expertise for the production and operation of the facilities, the Prevention of Occupational Risks, and languages, have been the subjects to which the greatest number of hours of training have been dedicated, reaching 74% compared to the overall amount.

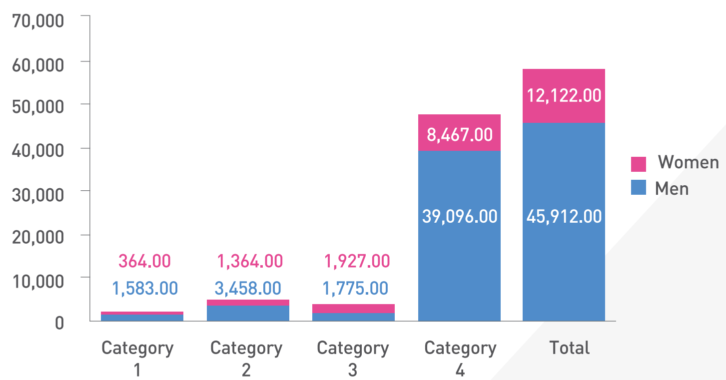
HOURS OF TRAINING PER CATEGORY AND GENDER											
	Men					Women					
AREA	CATEGORY I	CATEGORY II	CATEGORY III	CATEGORY IV	TOTAL MEN	CATEGORY I	CATEGORY II	CATEGORY III	CATEGORY IV	TOTAL WOMEN	TOTAL TRAINING HOURS
INDUSTRIAL WASTE	211	2,545	1,956	1,290	**6,002**	170	2,174	37	356	**2,737**	8,739
WATER MANAGEMENT	4,574	16,342	23,732	17,270	**61,918**	331	7,604	11,218	5,850	**25,003**	86,921
CONSTRUCTION	225	42,251	603	6,493	**49,573**	82	14,806	178	44	**15,110**	64,684
URBAN WASTE UK	2,060	2,611	3,461	11,212	**19,344**	326	1,434	1,188	858	**3,806**	23,150
URBAN WASTE SPAIN	4,889	5,632	52,636	100,388	**163,544**	1,349	1,754	3,014	14,726	**20,843**	184,388
CENTRAL SERVICES	3,586	614	69	0	**4,269**	2,470	259	913	36	**3,677**	7,946
OVERALL TOTAL	15,546	69,995	82,457	136,653	304,650	4,727	28,031	16,548	21,870	71,176	375,826

* Cat. I: managers, department heads, heads of services and construction managers; Cat II: section chiefs, heads of negotiation, heads of workshops, higher level and mid-level graduates, and similar; Cat. III: administrative personnel, assistants and technical assistants and similar; Cat. IV: operators, junior and associates.

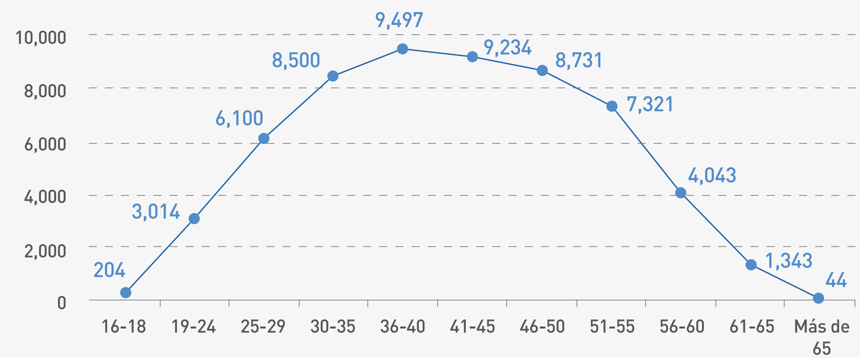
3.2.4. The team of professionals

FCC Group has a workforce of 58,034 professionals, 20.87% of whom are women. Of the total, more than 63% of the people who work for FCC are under the age of 45 and only 13.5% have a temporary contract (16.2% on permanent contracts and 70.2 % are seconded staff, mostly permanent contracts). In addition, the drop in the turnover rate should be noted, which in 2014 has been 3.10%, 0.78% less than the previous year.

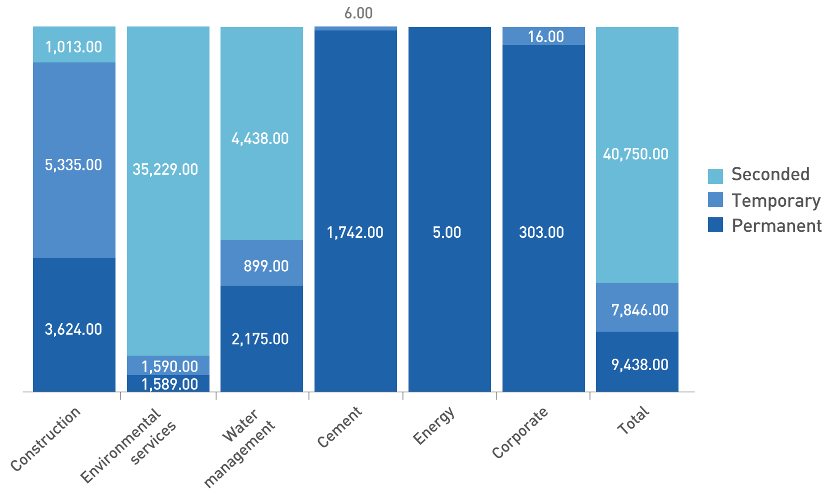
WORKFORCE BY GENDER AND PROFESSIONAL CATEGORY



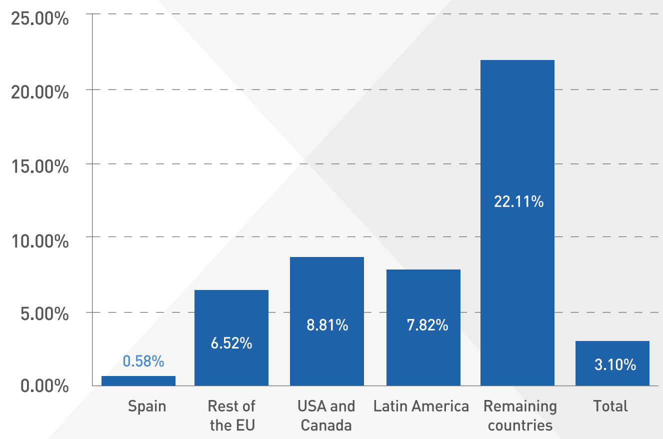
WORKFORCE BY AGE RANGE



WORKFORCE BY CONTRACT TYPE AND BUSINESS AREA



AVERAGE TURNOVER BY GEOGRAPHICAL AREA (%)



3.3. Equal opportunities and integration at FCC

3.3.1. We offer the same opportunities for employment and promotion

FCC Group's commitment to society is reflected in our activities. We do not allow any type of discrimination when making an employment offer or with regard to promoting people.

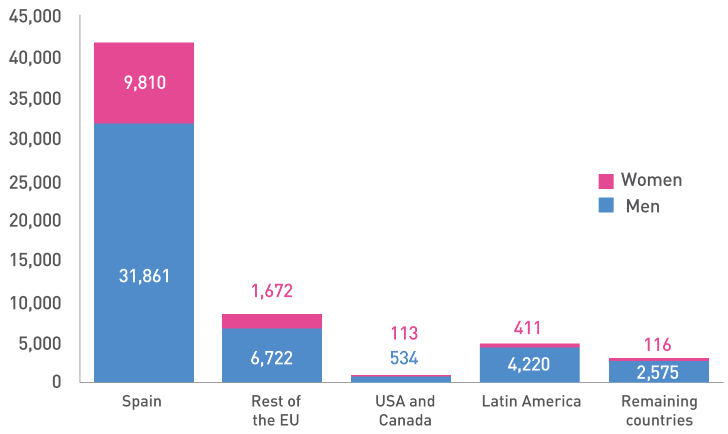
FCC's Equality and Diversity Policy, approved by the Steering Committee, establishes the integration of equality and diversity as central pieces in all the activities developed by the Company. The policy, like the Code of Ethics, reflects FCC's commitment to equal opportunities, promotion, respect for diversity and the eradication of all forms of discrimination or harassment.

FCC fosters an environment in which all people can do their work without fear of humiliation, harassment, intimidation, or physical or verbal aggression. The procedures are monitored and subject to review to ensure that no discrimination, whether direct or indirect, goes unpunished. The Company has a Protocol for the Prevention of Workplace Bullying and Sexual Harassment, which includes guidelines of conduct to ensure the dignity, integrity and equal treatment and opportunities for all workers, and it is compulsory. In addition it urges FCC personnel to report any situation of workplace bullying or sexual harassment through the mailbox provided for this purpose and described in the Group's Code of Ethics. The complaints received are handled in a confidential manner, and without any fear of reprisals.

FCC has designed, conducted and has available to employees, online courses on Equality, the Code of Ethics and Harassment Prevention.

The following chart shows the distribution of FCC Group employees by gender and location:

FCC GROUP EMPLOYEES BY GENDER AND LOCATION



Signing of the Diversity Charter

In 2014 FCC Group signed its adhesion to the Spanish Diversity Charter, an initiative that reinforces the Company's commitment to the fundamental principles of equality, non-discrimination in the workplace, support of diversity and respect for the heterogeneity of people.

The Diversity Charter is an initiative of the Department of Justice of the European Commission to develop policies to combat discrimination. The Diversity Foundation, sponsored by the Alares Foundation, is responsible for exclusively providing this hallmark in Spain, responding to a voluntary code of commitment to support and promote the principles of inclusion of diversity and non-discrimination in the work place.

The "Proyecto Promociona" for promoting the empowerment of women

FCC has with two places in the prestigious "Proyecto Promociona" programme, for the promotion of women to positions of senior management and boards of directors, as well as two members of the Company's management in the Individual Mentoring programme, for participation as mentors to other participants. "Proyecto Promociona" is a programme run with Norwegian funds within the framework of the European Economic Area, coordinated and co-financed by CEOE, with the participation of the Ministry of Health, Social Services and Equality (MSSSI in Spanish) and the collaboration of the ESADE Business School.

Support for the empowerment of women in developing countries

In its commitment to helping the disadvantaged and in striving for greater equality, FCC has launched a course in dressmaking for the women of the communities surrounding the town of La Cantera Valdeza in Panama, in collaboration with the National Institute of Vocational Training for Human Development (INADEH in Spanish).

Furthermore, it has participated in programmes run by the "Women for Africa Foundation" in Liberia and in Monrovia, finalizing the architectural project and the construction of a hospital care centre to meet the needs of mothers with problems arising from giving birth.

Internal communication, a key element in raising equality awareness

During 2014, and in line with other years, the different campaigns for equality and the fight against gender-based violence can be highlighted. In particular the campaign carried out for International Women's Day held on 25th of November 2014. The first consists of a global campaign, translated into 14 languages, which has had significant publicity consisting of photographic exhibitions, articles in the internal magazine, posters and information on totems, and even a health campaign for women. The second, entitled "Daisy doesn't like me", consisted of posters and a video distributed via the Intranet, the internal bulletin, and the website, in which the petals are pulled off a flower with the most painful messages associated with gender-based violence, inviting the personnel of the Company to send positive messages to rebuild the daisy in a more positive light. The campaign was a success, receiving more positive messages. The campaign was awarded by the XXXIII edition of the awards for the best 100 Ideas, offered by the magazine Actualidad Económica.

This year the Chairman of FCC addressed a letter to employees, through the corporate Intranet, reminding them of the need to continue to be involved in the task of achieving gender equality.

Recognition of equality management

In 2014 FCC Aqualia renewed the Equality in the Workplace seal (DIE in Spanish) that is awarded by the Ministry of Health, Social Affairs and Equality and that recognizes the application of policies of equal treatment and equal opportunities in the workplace, in organisational models as well as in other areas such as services, products and Company advertising.

3.3.2. Promoting women's rights, freedom and leadership

The equality plans, as an ordered set of measures for achieving equal treatment and opportunities between women and men and the elimination of gender discrimination within the Company, promote the implementation of measures that allow objectives to be achieved that are established in matters such as access to employment, promotion and training, employee benefits, commitment to preventing gender violence, work, personal and family conciliation, and shared responsibility between men and women, occupational health and communication, as well as the prevention of sexual and gender harassment. As of 31 December 2014, the Group has equality plans associated with Fomento de Construcciones y Contratas, S.A.; FCC Construcción; FCC Aqualia; Cementos Portland Valderrivas and FCC Infraestructuras Industriales y Energéticas. In addition it is important to highlight the fact that the companies in the Group that have fewer than 250 workers (and therefore have no legal obligation to subscribe to equality plans) are also covered by an equality plan (the parent Company or head of the area to which they belong).

FCC women represent 20.87% of the total workforce of the Company, and women's leadership is very much present in the running of the Company, with a significant commitment to further increase the number of women in positions of responsibility. In 2014 five women were members of the Board of Directors, representing 31%, and the percentage of women members of various steering committees has reached 34%.

As mentioned in the Section on Commitment to Good Governance, in November 2014 a collaboration agreement was signed between the Ministry of Health, Social Services and Equality and FCC, to promote the balanced participation of women and men on boards of directors, a commitment signed by the chairman, Ms Esther Alcocer Koplowitz, with the support of the Steering Committee. Also entered into by the Human Resources department was the collaboration agreement between the Ministry and FCC S.A., FCC Construcción and FCC Aqualia, for the adoption of measures to increase the presence of women in managerial positions and on steering committees.

With the signing of these agreements, FCC commits, among other measures, to the following:

- Promote equality, merit and the ability of women in the processes of internal training, staff selection and promotion, encouraging a more balanced presence of women and men.
- Establish organisation measures and flexibility of work time, promoting its use by both men and women.

During the year a number of courses aimed at the female leadership have been carried out in FCC Aqualia and FCC S.A., these courses relate to HR management as well as the proper talent management of women in positions of responsibility.

FCC's commitment is also very present in the fight against gender-based violence. FCC is part of the network entitled "Businesses for a society free of gender-based violence", it has been a signatory of the collaboration agreement to promote awareness against gender-based violence and the employability of the victims, since 2010, with the Ministry of Health, Social Services and Equality, and in 2014 it renewed its commitment by signing the Companies' Statement promoted by the Ministry.

FCC's commitment to the fight against gender-based violence can be summarized in two principles:

- Zero tolerance to this kind of practice.
- Favouring social and professional integration of these women in our society.

In this commitment to integration in the workplace, the Group collaborates with the Integra Foundation, a third sector organisation for the labour insertion of groups with difficulties, with FCC specifically focusing its efforts on the insertion of female victims of gender-based violence. Since 2011 86 people have been hired by FCC through the Integra Foundation, of which 69, 80 %, were women that have been victims of gender-based violence.

Another example of the Company's commitment in this area, is the collaboration of FCC with the Spanish Red Cross, in its C.R.E. Employment Plan, aimed at improving employment opportunities, encouraging autonomy and equipping them with the necessary resources to achieve full social integration and employment.

International Day for the Irradiation of Violence against Women

On the occasion of the commemoration of the International Day for the Irradiation of Violence against Women, during 2014, FCC Group carried out the campaign entitled 'Daisy doesn't like me', in which the people of FCC created a giant daisy with hundreds of messages written on its petals.

In addition, 500 natural daisies were distributed in the headquarters where the campaign was developed, as well as 1,000 badges supporting the campaign of the Ministry of Health, Social Services and Equality, and 500 leaflets were distributed, as part of the advertising campaign, at several of the Company's centres.

For the campaign, banners were produced for the Intranet (FCCnet and FCCone), in Spanish and in English, and a photocall was placed depicting the daisy with its petals being removed and posters and banners were placed in the main area where the campaign was on show and three videos were produced, in which messages were collected against gender-based violence, a memorandum was prepared of all campaigns against internal and external gender-based violence of the past years which contained positive messages from all the people who make up FCC in countries where the Group has a presence.

To raise awareness about the campaign, those responsible for it conducted a series of actions. Among the actions carried out was the sending of emails to the entire workforce, the development of news on FCC's website and Intranet, the publication of an article in FCC's magazine "Red de Comunicación", published on the Intranet and on the website, the sending of press releases to digital newspapers linked to Corporate Social Responsibility, the placing of totem poles in the Company's headquarters at Las Tablas (Madrid), and finally the publication of content on social-media networks in which the Group has a presence.

FCC Aqualia "con ell@s" (supporting these women)

During the week prior to the International Day Against Gender Violence, the Aqualia Division carried out the "I'm with you" campaign, which closed with the participation of 120 employees and whose objective was to raise awareness about the massive impact of gender-based violence.

The initiative was developed for the first time on Twitter, with the hashtag #FCCAqualiadiceNOalaViolenciadeGenero, and was widely covered by various media and websites in the Human Resources, CSR sectors as well the water sector itself.

Thanks to this dissemination, the hashtag #FCCAqualiadiceNOalaViolenciadeGénero recorded nearly one hundred messages during the days in which it was in force.

3.3.3. Committed to the integration of persons with disabilities

FCC has been developing the integration of persons with disabilities, addressing mainly the sphere of work, understanding the need of every person and providing channels of professional and human development, as well as understanding that employment is one of the main ways to achieve proper integration of all people, it being the ideal environment for the promotion of diversity and cohesion.

For years we have been working with specialized and professional entities that help us in the management of recruitment, hiring and monitoring of persons with disabilities that are incorporated into the organisation, adapting the work posts to the professional profile of the workers and facilitating a standardised integration programme within the Company.

In 2014 we renewed our commitment with the reference entity, the Once Foundation, in the Inserta Agreement, within the framework of the talent programme for the training and employment of persons with disabilities, which is co-financed by the

European Social Fund. Based on this agreement, FCC has made a commitment to incorporate 125 persons with disabilities into the Citizen Services Company over the next three years.

With the Once Foundation, on the 3rd December 2014 we celebrated the International Day of Persons with Disabilities, with an information campaign and an event at FCC headquarters in Madrid, Las Tablas, with representatives of the general management of the Company and representatives from the Inserta Programme, where the progress being made with regard to workplace integration of persons with disabilities in society and in the Company were presented.

This real commitment from the Company to integration and inclusion in the field of employment has meant that in 2014 FCC Equal CEE was created, dedicated entirely to the management and implementation of Special Employment Centres and to the presentation of auxiliary services for people with disabilities. It currently has 11 employees and it is a project that has been promoted by the environment division, with the chairman, the general manager, the area management and Human Resources all getting involved on a personal level.

The value that FCC can provide, in addition to recruitment, has been in subsidising projects that help and promote social and employment integration (training courses, workshops, assistance, etc.) with the aid of the Adecco Foundation, the Integra Foundation and the Prevent Foundation, participating specifically with the latter in the project entitled "Entrepreneurs classroom", aimed at entrepreneurs with disabilities for the start-up or acceleration of a recently conceived business initiative.

At FCC we believe that beyond the management of legislation, ethics and social commitment, there are employment and economic reasons for the effective handling of diversity and disabled persons. Its good management directly affects the efficiency and competitiveness of the Company and the individuals who belong to it, and there are huge business and personal benefits that make the investment worthwhile.

3.4. We care for people, and their health and safety

Occupational health and safety for FCC constitutes a priority objective in addition to being an important commitment. The constant interest and the provision of human and technical resources that have been provided, with strong support from the General Management and the Board of Directors, a signatory to the policy for the Prevention of Occupational Hazards, guarantees the strength and positive evolution of the results, and makes safety, health, well-being, protection and confidence, primary values for the people and the Company itself. In addition, the work that we have been developing in the areas of safety, health and welfare has helped distinguish FCC Group companies, both in terms of results, in comparison with other companies in the same sectors, as well as noteworthy participation, and achieving external recognition.

3.4.1. Preparing a "safe" path

FCC has a multidisciplinary and versatile team, specialising in the management of occupational health and safety, which covers matters regarding all people working in the organisation, and that are in direct contact with those that undertake the work and their needs, as well as providing them with the necessary protection for the performance of their duties.

The risk prevention strategy extends to all activities of FCC Group and in all countries where it operates, and is governed by the criteria and International OHSAS standard 18001, the certification covers almost 90% of the workforce. The adaptation of the Policy, Strategy, and the Health and Safety Manual, to the management systems of each of the Divisions of the Group allows the necessary homogeneity and an adjustment to the peculiarities of the various activities and organisations, which have been progressively expanding the certification.

In 2014, the Group boosted its commitment to continuous improvement, monitoring and control, with the auditing entity SGS, which is responsible for regulatory audits for the prevention of occupational risks and certification, and will mark a milestone on FCC's path towards excellence in management: in 2014, the FCC Construcción division consolidated much of its international business in Latin America and the Middle East, and was certified according to OHSAS 18001 in countries such Mexico, Panama, Colombia, Chile and Abu Dhabi, with scope for the development of construction projects, civil works, and energy and industrial activities.

This year it also launched, together with IT (Information Technology), the second version of the transaction to obtain data on absenteeism (occupational accidents and common illness) using the Incorpora tool (HR information system), by providing higher accuracy and reliability to the data on accidents and absenteeism in the different organisational divisions of the Company, therefore facilitating control, monitoring and decision-making.

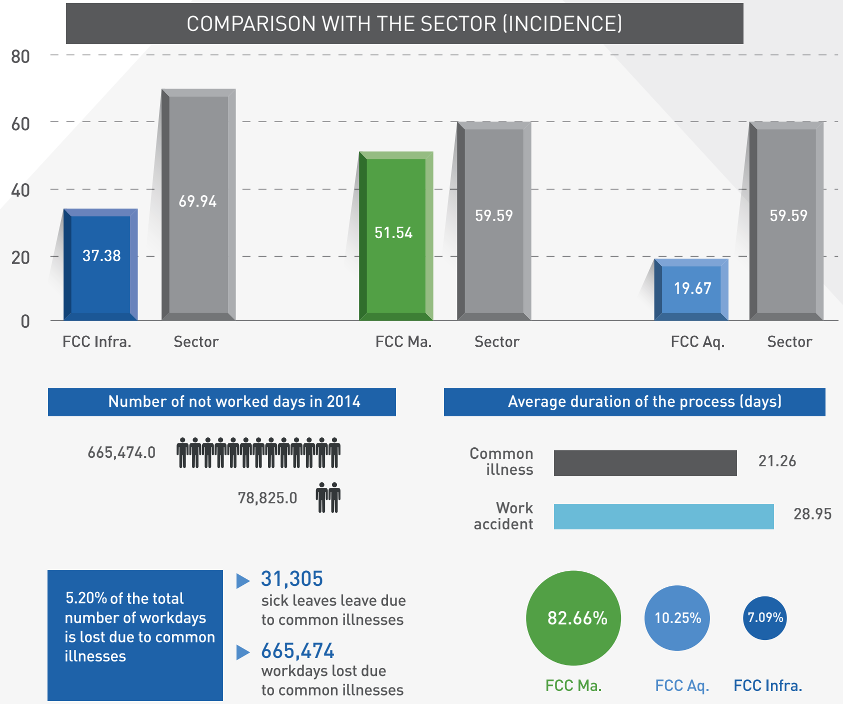
"0 Accidents": objective and horizon of the preventive management of FCC

Although the goal of zero accidents was fulfilled in some of the work centres and companies, FCC Group continues to work to achieve this in all the work centres where it operates. The types of accidents in general terms are mainly caused by falls, tripping, sprains and slips (32%), followed by overexertion (25%) and knocks (18%), and a 16% reduction of road accidents from 2013 to 2014 of should be noted. This reduction is in accordance with the lines of action of the Road Safety Strategic Plan and the commitment of the business divisions to reduce road accidents and road accident victims, as a result of all the work being carried out in the field of education and driver training; with awareness campaigns, including inspection plans, route management and vehicle fleets, as well as mobility, safety and sustainable itself.

Our teams are highly trained, skilled and educated, and know the value of education, information, instruction and training in occupational safety, in risk perception, prevention, and road safety, as well as the specific risks inherent to a particular post. In 2014 the training needs were covered with an investment of around one and a half million euros (€1,434,393) for a total of 110,343 hours of training in the prevention of occupational risks, to almost 15,000 participants.

Main accident rate indicators in 20144

With respect to the previous year, the frequency rates and incidence rates have increased by 4% and 1% respectively. For the latter, however, the main divisions of FCC are in an advantageous position compared to the other companies in its sector. Also the severity rate and the rate of absenteeism have increased by 5% and 2% respectively. Some of the main indicators relating to FCC Group's accident rates are presented below:



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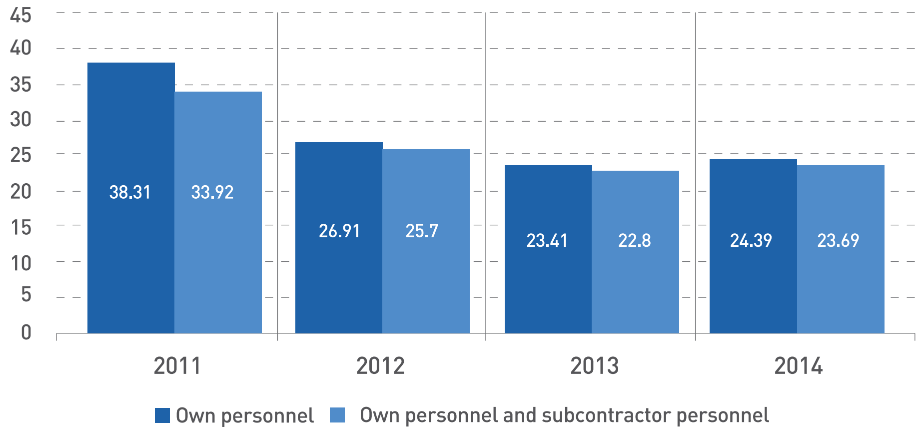
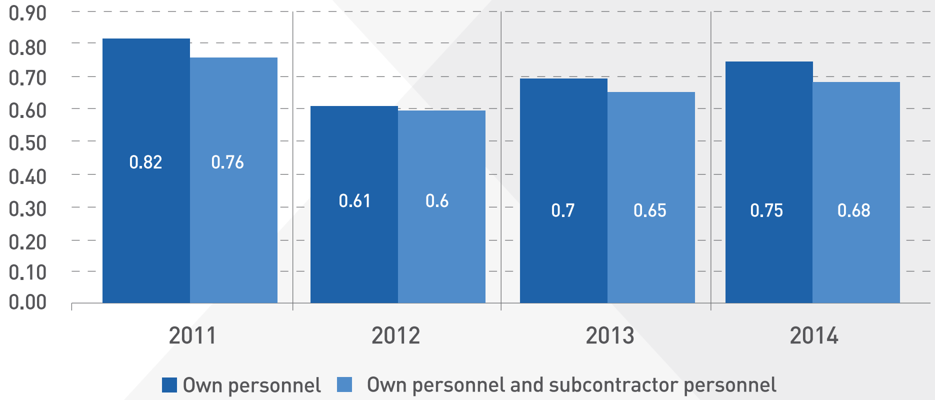
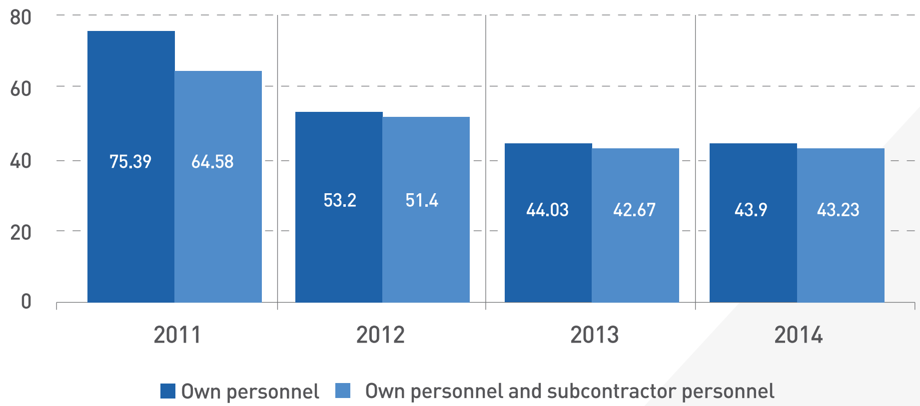


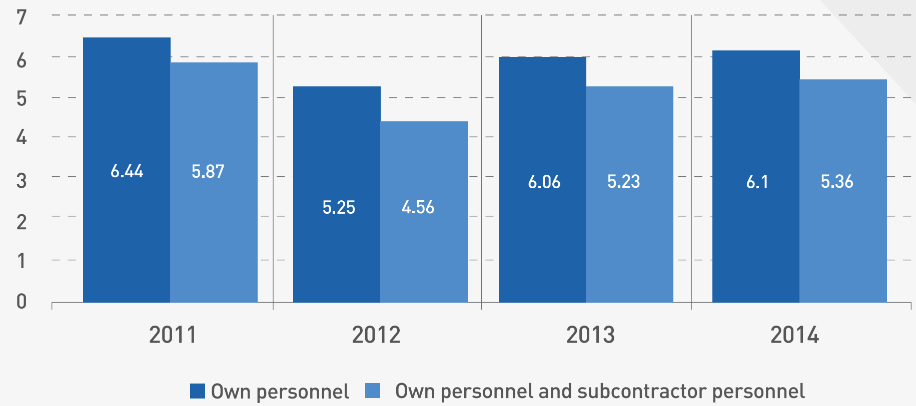
SEVERITY RATE



INCIDENCE RATE



RATE OF ABSENTEEISM



3.4.2. Health and welfare, value for employees and their families

After several years working in the promotion of healthy environments and prevention of illness, in the Occupational Health and Safety week held at FCC in April 2014, the global strategy was launched, FCC a Healthy Company, with a holistic approach and an approach that gives a business, legal and ethical response to the needs of the Company and its employees. Based on this strategy, all the activities to stimulate and promote occupational welfare are included, promoting the participation and development of all the people of interest to the Company.

Achieving a healthy Company from a comprehensive, holistic perspective with healthy, motivated, involved and prepared employees is our investment in the future, individually and collectively, an investment in addition to performance, productivity and a good working environment.

Following the line to continue contributing value to employees, their families and the communities where we work, we are going beyond our responsibility to maintain safety in the working environment, by generating and promoting spaces, knowledge and habits that encourage a healthy life in terms of physical, mental, emotional and social well-being, and therefore we are encouraging physical exercise, healthy nutrition, proper rest, health care, and the promotion of culture.

Initiatives aimed at promoting health

Throughout 2014 countless activities and campaigns were launched in the different business areas, activities and countries where FCC operates, and various tools and programmes were generated that include the development of these actions and the promotion of participation and awareness of all members of the Company.

In 2014, the Sports' Social Network was launched, a space to encourage sport and physical activity, with events, challenges and the exchange of information, a platform where FCC employees can share, create and participate in a more healthy and active life. Football and paddle tennis leagues have been set up, as well as races and running groups, and information has been shared to support events and sporting activities such as skiing, or handball.

Parameters were also set up for promoting a healthier diet, incorporating healthier products in vending machines as well as using criteria based on the NAOS Strategy (Strategy for Nutrition, Physical Activity and Obesity prevention) in the procurement of hotel and catering services.

Our own Medical Services have led numerous campaigns and initiatives for prevention of, and information on, illness and health promotion, giving personalized attention in addition to detection, monitoring and treatment of different illnesses, with its work playing a key role in variables such as absenteeism and disabilities, linked to health and the personal and working environment.

Some of the most significant and extended programmes were the fight against the abuse of and addiction to harmful substances such as tobacco (treatment has been provided in more than 40 cases), drugs or alcohol (with specific prevention and detoxification programmes); health care with specific campaigns on cardiovascular disease, blood pressure, cancer and obesity; different vaccination programmes (for example, around 1,800 flu vaccines were given in Spain) and medical examinations have been promoted as well as the publication of more information on their work and conviction to ensure a working and personal environment that prevents illness and promotes health.

Given that the circumstances are not the same in all countries, the campaigns will vary depending on the headquarters, and in different geographical areas the vaccination against hepatitis, tetanus or typhus has been promoted; specific information programmes have been generated for AH1N1 influenza, malaria, AIDS and Ebola; campaigns have been created to foster habits of personal and postural hygiene and programmes of how to act in the case of emergencies or severe weather and extreme temperatures.

Unwavering commitment to being a Healthy Company

Since 2014 FCC, a Healthy Company, is a reality inspired to improve the safety, health and welfare of the people who work at FCC, and that have an impact on companies and communities where we offer our services, with sustainable, responsible and effective management. In addition we have formalized our unwavering commitment to adherence to the Luxembourg Declaration; our participation as a partner of the campaign of the European Agency for Health and Safety at Work 2014-2015, "healthy jobs, managing stress", and some of the branch offices in Spain have now been certified or are preparing to be certified (in the area of environment, the Catalonia II MA branch office was the first to obtain the certification by AENOR as a Healthy Company).

3.4.3. We improve by sharing and leading health and safety projects

FCC's approach is one of continuous improvement through learning and experience. The rationale is to share knowledge, learn from accidents, measures, and results that are being achieved, and participate in groups and teams that are involved in reaching new proposals to improve the protection, safety, health, welfare and integrity of people.

Communication is a very important element of internal management and in making people aware of achievements. For this, different media for the dissemination of information and knowledge are used. One of them is the FCC Bulletin (Red de Comunicación), in which in addition to having a special section called "welfare", where we publish the news related to occupational health and safety, we talk about topics related to the management of the Company.

The Group also has an Intranet and a few specific portals on safety, health, occupational risk prevention, and road safety, which in addition to providing information, offer specialised documentation and a programme of activities. In addition, the Group offers its employees the email address direccionprl@fcc.es and the communication channel for serious accidents.

Promotion, collaboration and health and safety awards

FCC continues to be actively engaged in the promotion and dissemination of a health and safety culture, in addition to encouraging good practices, and it continues to implement various initiatives that promote good habits among its professionals:

- Presentation of awards, prizes and promotional events: in 2014 the awards were presented at the second edition of FCC's Health and Safety awards and FCC Environment's ABCD Awards. Furthermore, in 2014 both Cementos Portland Valderrivas and Aqualia were awarded by Asepeyo for their excellence in preventive work and for the best preventive practice for risk control, respectively.
- Participation in conferences, fairs, seminars or relevant working groups: it is important to highlight the dissemination of experience regarding a healthy Company, as well as road safety, on panels and events organised by prestigious external entities such as the Mapfre Foundation, FESVIAL, the

National Institute for Occupational Health and Safety, and the Panama Canal Authority.

- Publication of articles on health, job safety and road safety, in addition to the launch of awareness campaigns and information about back care, eye care, fatigue, health care and illness prevention. The campaigns highlighted are the "Five Minutes of Safety", the "Million Steps" or the "Healthy Tapas Competition".
- Conducting interviews with distinguished staff for their work in the area of peoples' health and safety.
- Sporting events, meetings and healthy practices.
- Actions directed towards the families of the professionals of the Company to promote health and safety. The second Conference on Road Safety for families in the Road Safety Park in Alcobendas.

Celebration of the Second Road Safety Day for Children

2014 saw the celebration of the second road safety day for children, which falls within the collaboration agreement to promote actions that encourage safety and road user education, inside and outside the Company that FCC maintains with the Municipality of Alcobendas. The meeting brought together family members of the professionals of FCC Group in Madrid.

The aim of this day was to transmit and raise awareness for both young and old on the importance of maintaining a safe attitude and behaviour when driving on the road.

The day consisted of initial training for the boys and girls in attendance, in the classroom of the facilities, instilling them with basic knowledge of signs, fundamental rules for riding bicycles, and safe conduct as travellers. The theory class gave way to karting on the track, led by the local police of Alcobendas, who are responsible for the management of the Park.

Also the adults received a training session on theoretical and practical elements of vehicle safety and safe driving.

This day, which once again was a success in terms of participation, covered the activities that FCC is implementing in its commitment to road safety: to reduce road accidents and promote road safety as a basic principle for the fulfilment of this objective.

Furthermore, FCC continues to be actively engaged in the promotion and dissemination of the culture of health and safety of good practices, sharing knowledge in this field in various forums, organisations and associations:

- AESPLA (Spanish Association of Occupational Risk Prevention Services).
- CEOE commission for the Prevention of Occupational Risks and Social Security.
- SEOPAN commission for the Prevention of Occupational Risks and Social Security.
- R&D&i Project for PRECOIL risk prevention (Intelligent Collective Protection in Dynamic Environments of Lineal Infrastructures).
- DISEV, a working group on safety promoted by the State Traffic Department (DGT) and organized by FESVIAL and PESI.
- FCC Aqualia's participation in the health and safety group of the Association of Water Management Companies (A.G.A) which occupies the presidency.
- FCC Construcción's participation in the Health and Safety Commission of FIEC (Federation of European Construction Industries), also occupying the presidency.

Health and Safety at Work Week 2014

Within the framework of the "Healthy Company" project, and coinciding with the Health and Safety at Work Day, and the European Week for Occupational Health and Safety, FCC organised its first Health and Safety at Work Week on the 28, 29 and 30 of April. The objective of this initiative was to promote the prevention of work-related accidents and occupational illnesses, as well as to encourage safe and healthy habits among FCC staff and the dissemination of the preventive corporate culture within the Company.

During these days, and in collaboration with various institutions, companies and professional bodies specialising in the field of health and safety, different events in different corporate centres were held, including:

- Conferences with experts on healthy lifestyles, health and sport.
- Training and informative sessions on topics related to road safety and health promotion, such as visual or postural health and wellbeing.
- Activities with suppliers for the promotion of benefits that employees can take advantage of. Among these activities were eye examinations and activities relating to physical and sports' advice.

The programme of activities was conducted in the centres at Las Tablas, Federico Salmón, Servicios Médicos Madrid, in Acanto and Hormigueras, and in various Medical Services departments of the Group.

More than 400 people participated in the schedule of activities and more than 2,000 people received information from the various campaigns and from FCC's healthy Company project.

Outstanding initiatives of the week

During the week the "step-by-step" programme was launched, the goal of which is to promote physical activity, in particular the use of the stairs instead of lifts. This initiative is part of the Strategy for the Promotion of Health and Illness Prevention of the Ministry of Health, Social Services and Equality. In this sense, FCC stands out as the first Spanish company to promote this campaign organised by the Ministry, supported by the WHO.

Various business areas presented good health and safety practices already implemented in different work centres and an opening lecture on the importance of physical activity for ageing workers, with the participation of the Sports Council. As a complement to all of the above, there were also training and informative lectures, practical sessions and the DIS-FRUIT Initiative: a piece of fruit in exchange for a healthy idea. FCC distributed more than 100 kilos of different fruit at their corporate buildings in exchange for 128 healthy ideas that were collected from among the participants.

One prominent initiative of the week was the launch of the "Healthy Menu" activity, carried out in the dining room at the Federico Salmón centre, where information and advice is given on the benefits of a balanced diet and guides were distributed by the MAPFRE Foundation on healthy eating.

4. EXTENDING FCC'S PRINCIPLES ALONG THE SUPPLY CHAIN

A management model that ensures transparency, competitiveness and objectivity

The centralization of the procurement system in the FCC group enables the application of the basic guidelines contained in the Group procurement policy, as well as its uniform management across the Group, guaranteeing FCC's basic principles in procurement, which are that of transparency, competitiveness and objectivity.

This model has three headings for business purchases, in order to take advantage of, in the most efficient way, synergies by economies of scale, generating healthy competition among suppliers, and facilitating the implementation and follow-up of the agreements made in the relationship with suppliers.

Reliability of the procurement model

In 2014 FCC revalidated its procurement management model with UNE - CWA 15869 certification in Added Value Purchasing Management, which promotes and certifies excellence in procurement management.

The fundamentals of the procurement model are set out in the Procurement Policy and in the internal procedures to ensure that the processes are carried out with due diligence and to guarantee the most optimal implementation of the regulation from the point of view of the resources and requirements of the business:

- The segregation of duties, and the definition of responsibilities, with supplementary and independent figures to oversee the implementation of the principles of the policy and procedures, encouraging team work at all times.
- Decision-making is carried out jointly and in consensus through the Procurement Committee, which analyses all offers and helps to make the decision regarding the best offer, according to the economic criteria of quality and reliability.
- Those responsible for decision-making should be objective, and the incentives of the decision makers shall be in line with the results.
- It is a traceable, transparent and auditable process from start to finish. The procurement processes are performed in a documented and justified manner, making use of the electronic tools available at Central Services and in the process of being implemented in all shopping centres throughout the world.
- The centralized model does not allow restrictions, promoting competition and competitiveness of suppliers.
- Compliance with principles and applicable regulations, ensuring the conditions of the contracts awarded are adhered to at all times.
- The handling of data and information is carried out so as to ensure confidentiality.
- All orders arising from awards are issued or validated by the central purchasing department, which favours compliance with the agreements reached with suppliers.
- Purchasing activity elaborates a periodic report which is sent to Management.

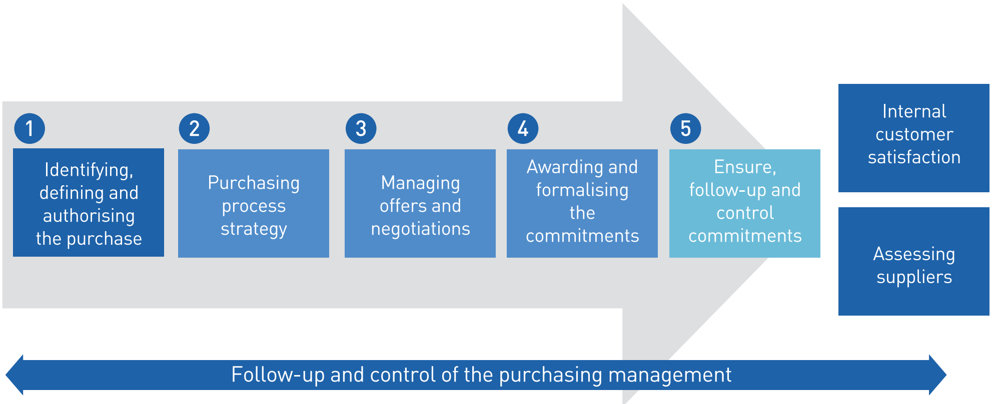
Responsibilities and objectives in supply chain management

The different departments that make up the procurement function at FCC share a number of quality objectives in the management of the purchasing process:

- Total cost. Centralized management allows the bringing together of needs and negotiations to be carried out from a strategic and privileged position, making it possible for the Company to generate savings in the procurement process, while avoiding a number of risks that could result from the wrong choice of supplier.
- Internal customer satisfaction. The end result of choice of supplier and purchase must meet the needs of the end user department of that purchase, and must adequately solve the need. In this sense, understanding end-user satisfaction helps to provide guidance to those responsible for purchases with respect to issues to which more attention should be given in future purchases.
- Supplier quality. Centralized management and compliance with the foundations of the model ensure the quality of the contracted suppliers is maintained and kept to the highest standards, helping to improve the service received and the satisfaction of the internal customer.

A solid process with well-defined responsibilities

The procurement process is structured into five different steps in which each of the areas of the Purchasing Department participate (sourcing, provisioning, and processes).



The Purchasing Department is present throughout the purchasing process, carrying out monitoring and management control of same. Coordination with the Procurement Committee is the responsibility of the department, having the purpose of ensuring compliance with the principles of the model and of the regulations, ensuring unanimity in decision-making.

For its part, the department of Sourcing leads and coordinates the negotiation processes of the purchases once it has been authorised. It is the responsibility of the department to review the purchase order and request further details if deemed necessary, in order to request offers that are better focused to the needs of the user units. The sourcing team analyses the offers received, by reviewing all aspects (economic, commercial and technical) and proposes a negotiation and award strategy to members of the Procurement Committee.

In the case of the department of Provisioning and Procurement Control, among its functions is the coordination, management and planning of the requests for issuance of purchase orders; the periodic monitoring of budgetary control, providing information to the manager of the purchase or the unit managing the cost; and monitoring and controlling compliance with commitments made to suppliers.

The evaluation of suppliers is performed by the Purchasing Department, categorizing the suppliers according to the product portfolio of the three heads of the Group. This department is also responsible for the evaluation and monitoring of internal customer satisfaction with the management of the purchases.

International purchasing and responsible commitment

FCC Group aims to implement the current electronic management tool for purchases in all operations and geographical areas so that the coverage of the system spans across all operations of the Group.

In advance, FCC has already made purchases for projects in Latin America following the centralized purchasing model, and policy guidelines. An example of this is the development of the purchasing Hub for the work in the Hospital Complex, Panama, during 2014.

For the identification of risks associated with the supply chain, FCC Group is conducting an analysis of expenditure and criticality, which will allow it to identify on the one hand, the risk in issues beyond purely economic risks (social or environmental), and on the other hand, it will be the basis for a diagnosis of the degree of compliance of the suppliers with FCC's principles. The Company has a clause that obliges suppliers of the Group to declare their knowledge and commitment to the ethical code. All contracts have this clause attached, among other documents.

In addition, the Group will provide training to suppliers in the use of the electronic procurement management tool, as an objective for 2015.

V. SMART SERVICES

Key players in the development of urban communities of the future

FCC Group has developed its entire business career along the lines of providing essential services to urban communities, from the construction of infrastructure, to the cleaning and waste management of cities, and integrated water cycle management. The diversity of activities has in common the vocation to build and participate in the urban communities of the future, it is therefore considered important to know and be ahead of the trends that will shape them. The drive for innovation is what makes it possible to improve the supply of services by adapting to the new needs of cities. The fight against climate change from double alignment (mitigation and adaptation) is an opportunity for efficiency and new activities for the Group's business. On the other hand, the development of an environmentally responsible activity is present in the day-to-day business, from project design to implementation and management.

Content

1. SUSTAINABLE CITIZEN SERVICES

Given the growing increase in the population of urban centres, the municipal authorities are increasingly more involved in the well-being of their communities, improving the efficiency of their infrastructure and services and making their cities more habitable. For FCC Group, people form an essential element of the area, which comprises policy-makers and private companies contracted by local governments. As a Citizen Services company, the major focus of the entire activity of the Group is on the citizens.

Milestones in 2014

- Development by FCC Aqualia of projects such as IISIS, Remembrane, Alegría, Elan Trainasa, from the perspective of developing innovative and efficient systems in the treatment, desalination and purification of water.
- FCC Construcción's participation in the IISIS project, from the perspective of the development of elements, materials, technologies and systems required for achieving sustainable construction.
- Sponsorship of the study entitled "Perspectives on urban infrastructures 2015", performed by The Economist.
- Participation in numerous forums and conferences to promote the design of the cities of the future.

Challenges in 2015

- Promoting dialogues with cities with the aim of understanding the priorities of municipalities and giving a better response through FCC services in collaboration with other organisations (universities, research centres, etc.).
- Continuation of the "Eco-City trends" sustainability Observatory, in collaboration with the Rey Juan Carlos University in Madrid, and the London School of Economics and Political Science.

1.1. A changing urban environment

To be habitable, all the cities of the world will have to contend with a series of challenges posed by demographic, economic, environmental and social changes. FCC Group offers its quality citizen services and establishes channels of communication with the urban communities in order to promote good practices that help the cities meet these challenges.

For 2050 it is expected that cities will represent 80% of the world population. Their political weight will be enormous, as well as the management of their public resources. The transparency and efficiency in the management of these resources, as well as the public-private partnership will be crucial in order to be able to provide quality public services.

CHALLENGES FOR FUTURE CITIES

Waste management, a problem of progressive development and the increase of the middle class	The scarcity of water and the increase in demand	More efficient buildings, communities and services
The legislation actively promotes efficiency in the elimination of wastes and promotes the recycling and recovery of wastes as responses to the growing amount of waste produced in cities.	Forecasts for upcoming years point to an increase in the pressure on the water resources in most of the world. This phenomenon offers opportunities to companies able to offer the market innovative approaches related to the management of the integrated water cycle and that are committed to innovation in water efficiency matters.	The concept of eco-efficiency in the development of new products, services, technologies, systems and models is becoming increasingly important. It is necessary to increase the productivity of natural resources, as well as to reduce the environmental impact (reduction of energy and water consumption) throughout the entire life of the products.

1.2. FCC Group's response to citizen demands

The FCC's services activities include the treatment of municipal solid waste, the management of parks and gardens, urban sanitation, industrial waste management, integrated water and infrastructure management.

FCC understands that the complementarity of its services, and its specialization in the areas of work, provides the solutions to the complex challenges that the cities of the present and the future pose. A supply of reliable and comprehensive services, for a healthy environment and for the quality of life of citizens.

Citizen Services means putting the focus on the end-user of the services developed by the Company, and sharing the willingness to contribute to the creation of social, economic and environmentally sustainable communities.

The commitment to citizen services also entails the Group's commitment to integrate sustainable development and corporate responsibility in their way of doing business. The Company understands that their responsibility also includes helping to raise awareness among citizens about the importance of sustainable development, a key factor in the prosperity and development of societies in the decades ahead.

1.2.1. Trends and social expectations observatory: Eco-Cities Project

During 2014 work was carried out in conjunction with the Rey Juan Carlos University in the creation of an observatory on eco-efficient services in cities.

The objective of the project is to identify the big challenges that will confront the cities of the future in areas such as infrastructure, waste management, power consumption and energy efficiency, water use and sustainability, among others.

The agreement has a planned duration of two years, after which a report will be produced with a view to the year 2020. The project has benefited from the collaboration of the London School of Economics.

The study seeks a dual purpose:

a) Allowing the possibility of targeting FCC's business strategies a citizen services group in the design of products and services tailored to the needs of future cities, as well as the trends and public perception of the critical aspects of FCC's priority lines of business, which will be studied: Infrastructure, Environmental Services and Water.
b) To be a national and European academic benchmark, regarding the study of the Smart Cities from their sociological perspective.

In short, the findings of the report will make it possible to make decisions and adopt strategies on the basis of previously contrasted data and evidence, so that services can be designed and goals establish that are tailored to the needs of the cities of the future.

1.2.2. Smart Water Project

Every city interferes with the water cycle in very different ways. The Smart Cities, exploit and develop technology for efficiency and for improving the well-being and quality of life of their citizens. In Santander the initiative entitled "Smart Water: the Intelligent Management of Water Services through New Technologies" was launched, with the purpose of creating a smart service for water management in urban environments where the citizen can participate in management via their tablet, PC or smart phone.

The Smart Water Project, promoted by Santander City Council, FCC Aqualia and the University of Cantabria, allows improving data collection from meters and other sensors within the water network with the view to using them for efficient water management and for providing information to citizens, and improving the service offered

The Smart Water Project allows citizens to access a mobile application through which they are able to see their consumption in real time, be alerted or informed of any incident in the service, detect fraud, optimize energy management, access news on the subject of sanitation and, in addition to monitor sanitation networks to detect possible overflows.

The Smart Water application is already operational in the Nueva Montaña region of Santander, and it is planned to be working in other areas of the city soon.

In a further step toward the smart management of public services, FCC's Water Management division, FCC Aqualia, is implementing revolutionary solutions in Santander for water management through the pioneering project in Europe "Smart Water, Smart Citizens", focusing on the "no-ditch" technology for the rehabilitation of large-diameter supply pipelines, since this represents an environmental and people friendly solution.

Perspectives on urban infrastructure 2015. The Economist

FCC has sponsored the study entitled "Perspectives on urban infrastructure 2015" that the Economist Intelligence Unit (EIU) has developed in 2014 on trends in infrastructure and citizen services. The prestigious weekly magazine The Economist investigated the management of 400 responsible politicians and businessmen, and interviewed leaders of the industrial sector in order to obtain information about the current situation of the urban infrastructure. The report studies the relationship between city leaders, urban service providers, and citizens in the short and medium term.

Highlighted among the conclusions of the report is the need for greater investment in urban services and infrastructure over the next five years, for the maintenance of satisfactory levels of service; the necessary relationship and collaboration between the public and private sectors, and the lack of funds that the municipal leaders face as one of the major difficulties.

1.2.3. Leadership and presence in forums

The objective of this line of work is to share knowledge, and disseminate and publicise information and lessons learned from the daily work of the Group's business, as well as from the research activities carried out. The Group's commitment to participation in these events and forums is to promote the progress in the design of cities of the future and to give a response from the infrastructure, water management and waste management industries. Among many others, the following should be noted:

Environmental Services	
Association of Public Cleaning Companies	FCC Medio Ambiente has participated in work meetings held with companies involved in the organisation ASELIP to deal with the new regulations on waste and climate change.
Spanish Association of Park and Garden Companies	FCC Medio Ambiente is part of ASEJA, an Employers' Association which ensures the conservation and implementation of green areas in Spain.
Spanish Association of Cleaning Companies	FCC Medio Ambiente is part of this Association and participates in its meetings.
Association of Comprehensive Maintenance and Energy Services Companies	FCC Medio Ambiente participated in the activities of the Association.
I Forum of the Green Growth Group	The objectives of the Group for Green Growth are to increase the participation of companies, share information, identify opportunities and support the Spanish presence in international forums. FCC Medio Ambiente has participated in the I Forum, promoted by the Ministry of Agriculture, Food and Environment.
Association of Recovery Plants and Selection of Municipal Packaging	FCC Medio Ambiente participated in the meetings of the Association, whose main purpose is to share experiences and knowledge in order to improve the functioning of plants, their economic balance and the rates of recycling and recovery.
Forum for Waste Energy Generators	FCC Medio Ambiente was present at the Waste Energy Generators' Forum, FGER (in Spanish), an independent organisation whose goal is the promotion of the energy production from waste and the defence of professionals and businesses interests that generate such energy.
San Sebastian Renewable Energy and Energy Efficiency Cluster	FCC Medio Ambiente joined the cluster of the City Council of San Sebastian, where all the agents and companies in the area dedicated to energy were present.
Technical Association for Waste Management and the Environment	FCC Medio Ambiente collaborated with the Association, whose purpose is to serve as a meeting point and reference for a wide range of institutions, companies and technicians from Spain and Latin America in order to facilitate the sustainable development of technologies and cleaning processes, as well as the treatment of urban waste through the optimum management of knowledge of the sector, thus giving the best response to the needs of today's society with the utmost respect for the environment.
Environmental Forum Foundation	FCC Medio Ambiente collaborated with the Foundation and participated in dialogue and collaboration with other companies, administrations and the rest of society that the foundation fosters to achieve a more sustainable model of development.
EBROPOLIS	FCC Medio Ambiente was present at the forum sponsored by EBROPOLIS to implement the strategic plan of Zaragoza and its environment.
Club meetings with the local Agenda 21 in Zaragoza	FCC Medio Ambiente participated along with other companies in the Club, focusing on working with the City Council to achieve sustainable development of the city.
Aragon Strategy on Climate Change and Clean Energy	Proposal of the Government of Aragon as a reference document for all the society of Aragon in the field of climate change and clean energy.

Integrated Water Management	
XXVIII annual Convention and Expo ANEAS (Mérida, Mexico)	Key event and one of the main references of the water sector in Mexico. FCC Aqualia demonstrated its ability to deal with any type of hydraulic project.

4th edition of the Latin American Congress on desalination and water reuse (Santiago, Chile)	FCC actively participated in the event through its subsidiary Aqualia Infraestructuras, gold sponsor of the event.
IWA Congress 2014	FCC Aqualia was one of the companies involved in the latest edition of the International Congress of the IWA (International Water Association). The Company was actively involved in the entire technical programme. One of the 14 posters presented was awarded as the best of the 600 submitted.
II Teaching and Open Doors' day of World Water Day in Cantabria	FCC Aqualia collaborated with Santander City Council on World Water Day with a guided visit to the ETAP in Santander.
FCC Aqualia's IISIS Project, iAgua Award 2014 for Best Report	These awards are based on the scores obtained by each entity in the iAgua Ranking, prepared on the basis of a complex algorithm that measures the influence of each of the 700 entities that publish their content on the iAgua.es website.
Smart Cities & Communities, Vigo	FCC Aqualia participated in the Third Technical Conference entitled "Smart Cities & Communities". The event brought together leading companies to present their technological solutions in the field of Smart Cities.
Small and Medium Smart Cities Congress, Alcoy	FCC Aqualia participated in the "SMSC" day, Small and Medium Smart Cities, whose purpose is to be a meeting point between companies, citizens, spaces of knowledge and administrations to create opportunities for developing joint projects.
Smart City World Congress, Barcelona	The Water Division was present at the fourth edition of the Smart City World Congress, a key event in the field of smart cities and a meeting point for the public and private sectors.
ARA Day "Consolidating Sustainability in Water Companies" (Bucharest, Romania)	Aqualia New Europe, a Company owned by FCC Aqualia and the European Bank of Reconstruction and Development (EBRD), participated at the Conference, organised by the Romanian Water Association (RWA), sharing its experience with 33 regional operators in Romania and with representatives of the Spanish Embassy's Economic Office.
First European Workshop on Regulation organised by Brattle Group (Rome, Italy)	A European debating event on regulatory bodies in the water sector.
Eighth edition of the International Benchmarking Workshop (Antwerp, Belgium)	Aquajerez participated in the eighth edition of the European Benchmarking Cooperation (EBC) day, along with 48 companies from 17 countries, mainly European, along with Japan, the United States, Singapore and Russia.
2014 edition of the National Environment Congress, CONAMA, (Madrid)	This edition of CONAMA was held under the general theme "low carbon economy". Within the ambitious programme developed, the technicians of FCC Aqualia participated in two meetings that analysed the relationship between water and energy and, on the other hand, the management of water in times of crisis.

Infrastructures	
IX Meeting of the infrastructure sector of Deloitte, Madrid	Meeting organised by Deloitte, OHL, Alstom and ABC to analyse the opportunities and challenges in the domestic and international markets for infrastructure, new financing trends and prospects within the concessions sector, railways, water and ports.
"International Rail Projects" day, organised by Executive Forum, Madrid	FCC Construcción participated in the "International Rail Projects" day, in which various projects were presented from the prism of different companies and agencies linked to the railway sector.
Brazil Business Summit, organised by The Economist Conferences, Paris	The conference discussed the opportunities for investment that Brazil offers, their need to develop transport infrastructure, public-private sector partnerships, and the need for the country to eliminate entry barriers to foreign companies.
ENR Global Construction Summit, New York	FCC Construcción participated in the conference entitled "Leading in a more Turbulent World", which discussed topics on the difficulties faced by companies in times of crisis, and how to overcome them, as well as future challenges for companies in the sector with a view to international projects.

ALAMYS days, 2014, Panama	FCC Construcción participated in the 19th meeting of technical committees of ALAMYS (Latin American Association of Metros and Undergrounds), which gave an explanation and presentation on operation of Line One of the Panama Metro. The projects of the lines two, three and four were also presented.
XXIV National Congress and XIII International Congress of Civil Engineering Students and professionals, held at the Pontificia Javeriana University in Colombia	FCC Construcción was present in both conferences, making a presentation on the state of the mega-project that is being developed in Colombia and a corporate video that explains the hydraulic modification of the Bogota river.
IABSE International Congress	FCC Construcción participated in the international congress of the prestigious association IABSE (International Association for Bridge and Structural Engineering). During the congress there were two presentations, in which the work on the bridge over the Danube in Vidin Calafat was presented as well as the construction work of the San Marcos viaduct in Mexico.
Occupational Health and Safety Congress organised by the Panama Canal Authority (ACP in Spanish)	In the Congress a presentation was made with the slogan "The promotion of health in the workplace", to emphasize the importance for FCC Construcción to employ healthy people and the importance of having a safe and healthy working environment.
Mexican Congress of Engineering in tunnels and on underground works 2014 (AMITOS)	The aim of the conference is to provide an opportunity to professionals, authorities, students, academics and suppliers related to the tunnels and underground works to share experiences, presenting new ideas and achievements, as well as to promote the use and interest in the development of underground space.
Ninth Convention on Liquefied Natural Gas, Barcelona	FCC Industrial demonstrated its lines of business as well as its major national and international references.
Fourth Edition of the Smart City Expo World Congress, Barcelona Institute	Key event for preparing the cities of the twenty-first century to be planned with a smarter, more efficient and sustainable vision, in order to consolidate their growth. FCC had a stand and organised various presentations.

80th anniversary of the Eduardo Torroja Construction Sciences Institute	On the occasion of the anniversary of the IETCC, several seminars and scientific meetings were organised. FCC Construcción presented the R&D&i project entitled "SETH, comprehensive system of structural monitoring of buildings based on holistic technologies".
Annual Congress of Civil Engineering Students of the University of Santa Maria la Antigua (USMA), Panama	FCC participated in this activity, whose objective is to promote the integration of students in their future field of work. The Company revealed the projects that it is developing in Panama and on a global level.
Organisation of workshops for the construction of metal and concrete bridges for Codelco, Santiago, Chile	The workshops were taught to civil engineers of the company Codelco.
1st Hispano-Korean Infrastructure Forum	Event organised by the Governments of Spain and the Republic of Korea, with the participation of the major Spanish construction companies grouped around SEOPAN, among them FCC. The Korean and Spanish builders agreed to work together in pursuit of synergies that allow the Korean companies to work together with the Spanish companies in Latin America, Europe and North America, and the Spanish companies to expand their operations in Asia and the Middle East.
Colombia Business Summit, Paris	The event brought together international executives and government officials to discuss the opportunities and challenges in this country with great potential for development. The event was attended by Miguel Jurado, chairman of FCC Construcción.

FCC Aqualia plays a leading role in the dialogue for transparent rates

FCC participated, through its FCC Aqualia division, in the first workshop on Regulation organized by the consulting firm Brattle, which marks the beginning of a European debate on regulatory bodies in the water sector with the participation of key regulators, operators and investment banks.

At the event recent regulatory experiences such as those in Portugal, Italy, Romania and Ireland were discussed and analysed. In addition, the need to know in the first place the costs of the service was stressed in order to define targets on quality and subsequently regulate prices from this time. The basic premise is that the tariff covers all operating costs and capital expenditure, as well as the necessary economic profitability.

The experience of operators was presented by representatives of ACEA, FCC Aqualia, Suez and Veolia, as well as by national associations from Romania (ARA), Italy (Federutility) and the International Water Association (IWA). FCC Aqulia demonstrated the value of management in the different territories where it operates, with special emphasis on the Spanish and Czech experiences. It also outlined the need to provide clear and transparent tariffs to include all costs.

On the part of the financial institutions there was participation from Goldman Sachs, Macquarie, Morgan Stanley, the European Investment Bank, Uncredt and the F2i fund. Despite displaying a high degree of interest in the sector, the representatives of the banks focused on the need to increase the legal guarantee in their operations.

2. PROMOTING INNOVATION AT FCC

Innovative projects to resolve global socio-environmental needs

Innovation represents one of the pillars of the Company's sustainability strategy. FCC invests considerable economic and human resources in R&D&i projects geared to sustainable urban development.

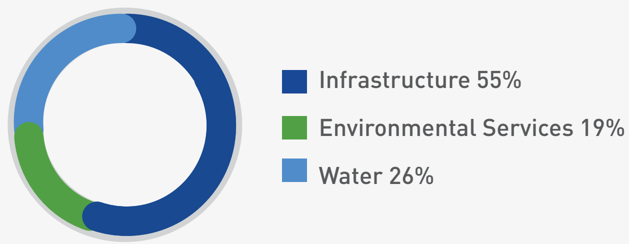
In 2014 FCC Group invested more than 14 million euros in R&D&i projects

FCC's Innovation Committee coordinates the R&D activities of the Group and directs the research lines of the business to the common goal of transition to a low-carbon economy, and the measurement of impacts on energy consumption and the water footprint, which allows them to be reduced and to offer a more efficient and differential product. However, each business area has its own line of R&D&i.

Innovation Committee

- Coordination and management of R&D&i activities
- Alignment of initiatives with the main strategic lines
- Definition of the new paths of research

INVESTMENT IN R&D&i



Milestones in 2014

- Progress toward the optimization of the efficiency of collection vehicles and biological treatment plants.
- Renewal of the R&D stamp by FCC Aqualia.
- FCC Aqualia develops projects for the production of biogas in the water sector, the development of the city of the future (FP 7 UrbanWater) and the reuse of materials and efficiency in the purification processes.
- Winning several international awards (Global Water Intelligence) and national awards (Award to the Large Sustainable Company by Expansión and the iAgua prize).
- Award of outstanding projects: Impacto Cero in consortium with ADIF; R&D&i projects in the Prevention of Occupational Risks (Projects: SEIRCO, BOVETRANS, SORTI, etc.) and in the field of maritime works.
- Lines of research into the development of the best local infrastructure rehabilitation (Merlin Project).
- Design of the methodology of the calculation model of the indicators that will allows the efficient management to be expressed in the use of resources, and the reduction of GHG, in environmental services.
- Accreditation of ten R&D&i projects in the area of cement and the approval of two new patents relating to the manufacture of nanomicrocements and high-resistance cement.
- Design and construction of a pilot plant to investigate the development of new cement products and the development and implementation of new high-resistance porous concretes (MAVIT project).
- Award of the European project IN2RAIL, part of the H2020 programme corresponding to the social challenge of smart, sustainable and integrated transport.
- Participation of FCC Construcción in the IISIS project, from the perspective of the development of elements, materials, technologies and systems required to achieve sustainable construction.
- Completion of the R&D&i projects, "sustainable rehabilitation of buildings".

Challenges in 2015

- Research into the role of environmental services of cities as carbon sinks and the benefits of landscaping.
- Calculation of the intensity indicators in the fields of energy, GHG emissions, and water, in urban services contracts.
- Progress toward measuring the water footprint in the integrated water management systems.
- Operation of the first cars that use biofuel from algae.
- Start of operations in the first industrial facility of sustainable water purification energy technology ANR (autotrophic nitrogen removal).
- Demonstration of the SmartWater applications in Almería and the Czech Republic.
- Establishment of new lines of research into the management of waste for the energy or materials recovery, in the area of cement.
- Progress towards the goal of mitigating CO_2 emissions.
- Development of certification activities for R&D&i projects.
- Achieve greater participation on the part of customers and public administrations in the development of R&D&i projects.
- Implementation of the new UNE 166002:2014 Standard of the construction division's new management system.

- Integration of the R&D&i processes in the countries where FCC Construcción is present.

2.1. Promoting innovation in Environmental Services

The reduction of GHG emissions and the responsible consumption of water are the two areas on which the environmental services division focuses its innovation work. Therefore work is being carried out on methodologies to define the monitoring and handling of information; as well as to configure, adapt and enter more efficient information and communication technologies in their processes and services.

In particular, the advances in the following lines can be highlighted:

- Automotive: work in collaboration with the technology suppliers for the reduction of emissions and noise in the fleet of vehicles.
- Recovery of waste in treatment plants: the innovation resources are also intended for the monitoring of variables and indicators together with processes of biological treatment of municipal solid waste, with a view to modelling these processes for improving the productive performance and energy of these facilities.
- Definition of the methodology for calculating strength indicators to establish the environmental traceability of services provided in scientific collaboration with universities and technological centres.

Some of the major projects developed in 2014 are:

CAMIÓN ULTRACAPS Project

The main objective of this line of research is the development and validation of new vehicles for the collection of municipal solid waste. These vehicles incorporate an electric-hybrid technology, and employ an ultra-capacitor system as an element for the accumulation of energy in place of batteries. To be more energy efficient, these vehicles will provide the benefit of a considerable saving in operating costs, as well as decreasing noise and pollutant gas emissions into the atmosphere.

During 2014 the benefits that each unit will have were defined, as well as the electrical operation of the body, and work began on the development of the prototype on which the subsequent testing and validation will be performed. The development of this prototype was based on a natural gas side loading pick-up truck, which will be transformed into an electric traction truck, into which the ultra-capacitor system will be implemented.

EHRS Project: "plug-in" electric-traction hybrid vehicles

The objective of this line of research is the development of electric-hybrid "plug-in" pick-up vehicles with batteries, working in 100% electric mode and that take advantage of trips to landfills in order to charge the batteries in hybrid operation. During 2014 work continued on the technical adjustment and commissioning of the hybrid-electric vehicles developed in previous years. For this reason work was performed with the trucks in various FCC contracts in Spain. This has allowed data to be obtained on the response of the vehicle and its energy consumption by varying environmental conditions such as terrain, temperature, types of track, etc. These highly valued data will be used for the development of future equipment in new research and development projects.

FCC received the award for Best Practice in Sustainable Mobility, organised by Renault España and the Club of Excellence in Sustainability, for the design of its electrical waste collection trucks.

ENERCIUDAD 2020

The objective of the project is the development of a system of "energy harvesting" for urban environments through flexible latest-generation organic photovoltaics technology (OPV).

The first phase of the project involves identifying the components and urban furniture where this capture application has a potential use. The next phase of the project consists in the development of "roll-to-toll" solar photovoltaic modules for the subsequent manufacture of demonstrators with integrated photovoltaic modules based on the initially detected applications identified.

2.2. Promoting innovation in Integrated Water Management.

FCC Aqualia maintains permanent contact with the different agents in its environment in order to enhance and improve its activity in R&D&i, developed by the Department of Innovation and Technology. The innovation projects are undertaken thanks to the participation of the entire organisation's staff in the processes, from the identification of opportunities to the implementation of same, and are aimed at improving the performance of three specific aspects: quality, sustainability and smart management.

The Company works in collaboration with national and international associations, research centres and universities; and aligns its projects around three major areas of research:

QUALITY
- Standard drinking water indicators.
- Reuse of water.
- Desalination.
- Measurement and analysis.

SUSTAINABILITY
- Reducing the energy consumption and emissions.
- Use of waste water and residuals as resources.
- Alternative technologies.

SMART MANAGEMENT
- Management systems.
- Optimising water resources ICT (Information and communication technologies).

FCC Aqualia has a system certified by AENOR in accordance with the requirements of UNE Standard 166002: 2006 that allows the control of the resources and the continuous monitoring of the results obtained. During 2014 FCC Aqualia worked on 19 R&D&i projects, with eight patent applications that require the dedication and commitment of highly specialized personnel. Of these projects three have been completed, while the rest will continue to be studied in 2015. Some of the major projects developed in 2014 are as follows:

Remembrane project

With funding from European Life, the aim of the project is the prolongation of the life of membranes used in the reverse osmosis process, recovering what is now waste, through its reuse in other applications; such as the processes of osmosis for treated water. The practical value of the project lies in eliminating waste, reducing costs and improving the overall efficiency of desalination and water reuse.

The project, which began development in September 2012, will be completed in the year 2015.

Filene Project

The Filene project, supported by the Innpacto Programme of the Ministry of Science and Innovation, studies the application of compact and high-efficiency anaerobic treatments for most industrial sectors. In the development of the project, which also involved the Complutense University of Madrid and Likuid, a pioneer technology based on ceramic membranes is applied.

These membranes represent a solution for reducing the high energy consumption of the facilities, since they are more durable, easy to clean, and have much lower energy consumption than the organic membranes currently used.

Water monitoring system in real time using smart technology (Smartic)

In the CDTI Innterconecta programme, FCC Aqualia leads the Smartic project, which monitors the raw water in the reservoirs and controls the quality of drinking water in real time. The main objective of the project is the development of advanced indicators that allow for a continuous evaluation of the quality of the waters, from capture to end of treatments, and from the point of view of their suitability for human consumption.

The project will involve a technological and industrial progress that is relevant to the Autonomous Region of Extremadura in an area with economic and commercial projection on an international level. The project is being carried out in the Villar del Rey reservoir and in the Santa Engracia ETAP.

Innovation Award + Sustainability + network as a Great Sustainable Business

The FCC Aqualia Division has been recognized as a 'Great Sustainable Business' by the ELAN® project (autotrophic nitrogen removal). This initiative developed by the R&D team of the Company, together with the Santiago de Compostela University (USC), the Ministry of Economy and Competitiveness, the Regional Government of Galicia, and the canning company Friscos, studies sustainable purification by applying the anammox process, which involves significant energy savings and a reduction in the sludge generated in the process.

Innovation towards personalized billing

FCC Aqualia has progressively implemented improvements in the design of its invoices. Among them are the inclusion of analytical results along with other information and the incorporation of notifications to raise awareness about responsible consumption. In addition, to facilitate their understanding, the designs are customised for each type of customer, structuring the information to facilitate their comprehension.

Transparent bill

The bills issued by FCC Aqualia are customized to its customers, in the official language of each territory, and geared to their easy comprehension. The set of processes and resources such as water catchments belonging to the natural environment, its transformation into drinking water, the distribution to homes and its return to nature include a wide range of factors that are reflected in the invoice through its various concepts (water, sanitation, purification, etc.).

FCC Aqualia bills are accompanied by their explanation and contain the following data: name of the holder of the contract (1), data of interest (2), a publication of rates (3), billing details (4), description of the blocks of consumption and prices (5), detail of the concepts and the amount billed (6), histogram of consumption (7), data for payment collection control (8), payment date (9) and total amount due (10).

In 2014 there were 650,000 electronic bills for more than 132,600 customers

FCC Aqualia issues three types of bills, according to the preferences of each customer:

- Normal detailed bill, with all the detailed information of interest.
- Bill summary, summarizing the concepts and highlighting the total amount.
- Summarized bill according to items, summarizing the amount for each item, which started to be issued in 2014, in order to suit the specific needs of certain municipalities.

Payment of on-line invoices in Italy
FCC Aqualia, through its Italian enterprise Caltaqua, since 2014 offers the possibility of receiving electronic bills under the new Italian legislation.

This is a very innovative project, called H2ONLINE, which enables bills to be paid online.

Smart meters
Aqualia FCC makes use of the most advanced technology to optimize the processes for integrated water management.

The Company is incorporating smart systems in homes through the installation of home water networks which are differentiated according to the type of use, systems of reuse, or the installation of smart meters for automated readings. This smart equipment has a state-of-the-art electronic system that stores the data needed to know, at any time, the patterns of daily consumption, tariffs and services of the network, which allows suggestions to be generated for the improvement of consumption habits through customized advice.

2.3. Promoting innovation in Construction

The commitment of the FCC Construcción division to innovation is based on the promotion of an active policy of technological development, permanently applying innovation to its works. The Company participates in a relevant way in the promotion of various European and national industry initiatives related to R&D&i.

The activity of FCC Construcción in R&D&i is aimed at continuing to be a key agent in the most important advances in the construction industry regarding technological innovation in materials, equipment and processes. In 2014 the Company revalidated the R&D&i management system Certificate: Requirements of the R&D&i management system according to UNE Standard 166002.2006 issued by AENOR.

Investment by FCC Construcción in R&D&i projects in 2014 was 7,927,739 euro

Some of the projects carried out related to sustainability are:

ASPHALTGEN: New self-regenerating asphalt agglomerate for greater durability and lower maintenance

The main objectives of the project are:

1. The study of different approaches and self-regenerating mechanisms such as hollow fibre, ionomers, molecular inter-diffusion, ionic liquids, etc.
2. Development of new laboratory tests to check the durability of the mixtures and their new self-regenerating capacity.
3. Design of the production facilities (to a certain degree) of the self-regenerating material according to its high dependence on the chosen technology.
4. Study of the expansion methods of the self-regenerating material in the hot bituminous mixtures, with the aim of making them easy to use in the manufacturing process.

SEIRCO: Smart expert system for risk assessment and training in different environments of the construction sector

FCC Construcción leads the project, focused on the research and development of new technologies for the field of risk prevention in the construction industry.

The research and development focuses mainly on:

1. Techniques based on artificial intelligence, learning and statistical modelling, which allow risk patterns to be discovered in large volumes of data, and which provide greater safety in construction.
2. New technologies that facilitate the building of training courses based on virtual reality from an automatic generation framework of virtual environments, which in turn raise awareness and provide personnel with knowledge of the risks inherent to the work and the costs associated with certain activities.

BOVETRANS: Development of a light transition vault system in road tunnels that uses sunlight

FCC Construcción executes the project for the development of a structure that represents a solution of advanced and efficient light transition for tunnels, which improves the system of electrical projectors currently used.

The main objectives are:

1. Reducing the black hole effect.
2. Being sustainable, environmentally speaking, so that it does not pose an environmental impact or an impact on its operation or its location.
3. Investigate the behaviour of static and dynamic visual perception at the entrance and exit of the tunnel according to speed, type of road, and road safety criteria.
4. Optimization of the CIE curve.
5. Offers an economic savings at the level of road construction and maintenance.

Active presence in multiple European and national R&D&i organisations

In 2014, through its construction division, FCC continued and intensified its active presence in multiple European and national R&D&i organisations. Among the most important are:

- European Construction Technology Platform (ECTP).
- Association E2BA (Energy Efficient Buildings Association, in the process of integration of the ECTP).
- Refine Initiative (Research for Future Infrastructure Networks).
- ENCORD Network (European Network of Construction Companies for Research and Development).

Additionally, nationwide FCC Construcción participates in the Spanish Construction Technology Platform, being actively present in the Spanish Construction Technology Platform Foundation, its Standing Committee, its working groups and Seopan's R&D&i Committees, whose presidency has been held by FCC Construcción since 2012, as well as in the CEOE.

All of these organisations have as their objective the undertaking of the role of the Company as driving force for R&D&i within the area of construction, in accordance with the ideas of the European programme H2020 and the Spanish Strategy of Science and Technology and Innovation 2013-2020. It also has an active presence in ADIF's Rail Technology Centre in Malaga.

2.4. Promoting innovation in Cement

The cement division of FCC Group focuses on research in the development of cements and new concretes of ultra-high strength and durability, which are more environmentally friendly, allowing the service life of buildings and other infrastructures to be extended.

The R&D&i projects developed are strategically aligned with the industrial activity of the Company, many of them in consortium with other divisions of FCC Group. To achieve success in these projects, the division has a multidisciplinary team of over 100 people and has made an investment of more than 15 million euros for the development of a total of 17 projects, approved in different programmes of public innovation, up to 2014.

The results of the projects developed so far have been very successful for the Group. Progress in new products allows for the reduction of greenhouse gas emissions, improving energy efficiency and saving natural resources. Some of the products developed in the field of R&D&i in the last two years are described below:

1 CEMESPHERES

New cement additives with a lower carbon footprint, promoting sustainable production by saving on natural resources and less GHG emissions in the process.

2 POROUS HIGH RESISTANT CONCRETE

High mechanical resistant concrete, higher resistance to superficial wear, higher durability, self-maintenance of its level of porosity and higher acoustic and thermal insulation.

3 SLAG TIPS

Eco-efficient cements by recovering ashes from thermal slag tips.

4 MICROCEMENTS

New range of micro-cements, positioning us globally for this type of special products used to restore micro-cracks in dams and stabilizing floors.

During 2014 the Nanomicro project was completed which involved research into technology for the manufacture of new cementitious materials on a nanomicro scale, used primarily as an additive to clinker.

As fruit of the research developed, the Cement division can market a series of special cements, among which are: UltraVal, super cement which allows high initial resistance regardless of the weather; RapidVal, natural cement for urgent repairs and heritage restoration, whose manufacture emits 20% less CO_2 than a type I Portland cement; MicroVal, micro-cements that offer a high penetration for specific applications such as tunnels and dams, in addition to solutions for the waterproofing of floors.

Cementos Portland Valderrivas used these special products in more than a dozen important works with high technical requirements:

Improvement of productivity and ultra-high resistance concretes: LAV Viaduct, Madrid-Extremadura

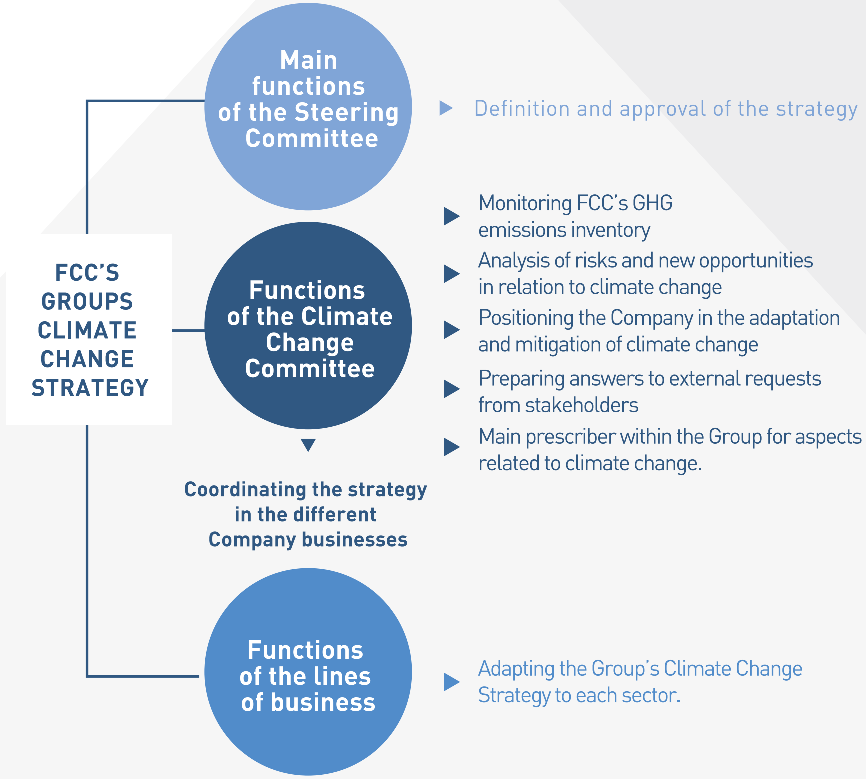
The project for the construction of the Garrovillas viaduct for railway use, led by FCC Construcción together with ADIF, represents one of the most important engineering works developed in Spain. It is a cantilever viaduct with a 384 metre arch and is 1,488 metres long, representing a world distance record.

Cementos Portland Valderrivas, through UltraVal cement, provides a solution to resolving the lack of resistance necessary to move the roller unit with the required speed, an objective that was not achieved with the tested cement used initially. The replacement of this tested cement with UltraVal has made it possible to achieve, with a lower dosage, better resistance at all ages, reaching more than 90 MPa at 28 days, exceeding the initial established requirement.

3. FCC AGAINST CLIMATE CHANGE

Joint climate change support strategy towards innovation and efficiency

The climate change strategy of FCC Group has been developed jointly by all of the Group's business areas and approved by the highest level of the Company's management. The new products, services, technologies, systems and models developed by the Company have been supported by innovation and efficiency as better tools for offering greater levels of wellbeing with lower levels of consumption. Urban centres, as the main emitters of greenhouse gases that will be produced over the next decade, will require low-carbon efficient solutions.



Milestones in 2014

- Second verification of the carbon footprint calculation of FCC Medio Ambiente.
- Verification of the methodology, and validation of the models for the calculation efficient management indicators for urban services activity in Spain.
- Verification with AENOR of the carbon footprint for the integrated water cycle of FCC Aqualia in Lerida.
- Calculation of the carbon footprint of Aqualia Infraestructuras.
- Implementation of new "good environmental practices" in Construction for the reduction of scope 3[1] emissions.
- Development of files for business opportunities in Construction associated with climate change, by target countries.
- Elaboration of a three-fold leaflet aimed at informing personnel working in Construction of the existence of the organisation's emissions' inventory, making them aware of the importance of the annual GHG emissions' report.
- First construction company to enter its carbon footprint in the Register of carbon footprints, compensation, and sequestration projects of MAGRAMA.

[1]Scope 1: direct emissions that come from sources that belong to the Company or from sources that are under its management.
Scope 2: emissions from the generation of electricity consumed by the Company.
Scope 3: indirect emissions as a consequence of Company activity from sources that are not its own or that are not under its management.

Challenges in 2015

- Degassing of the landfills (43% of scope 1[1]) to reduce scope 1[1] emissions by 40,000 teq CO_2.
- Introduction by FCC Medio Ambiente of a technological solution for energy recovery for the plastic rejects that come from the Company's waste treatment plants through an agreement with a company that specializes in these technologies.
- FCC Medio Ambiente to implement a computerised system to monitor the intensity indicators and energy, water and GHG emissions performance for an integrated services pilot contract for the collection of MSW and street cleaning, and for a maintenance and upkeep contract for parks and gardens.
- Broaden the scope for measuring the carbon footprint in FCC Aqualia.
- Registration of FCC Aqualia in the Spanish Climate Change Office register.
- Extension of the inventory of greenhouse gas emissions in international construction projects.

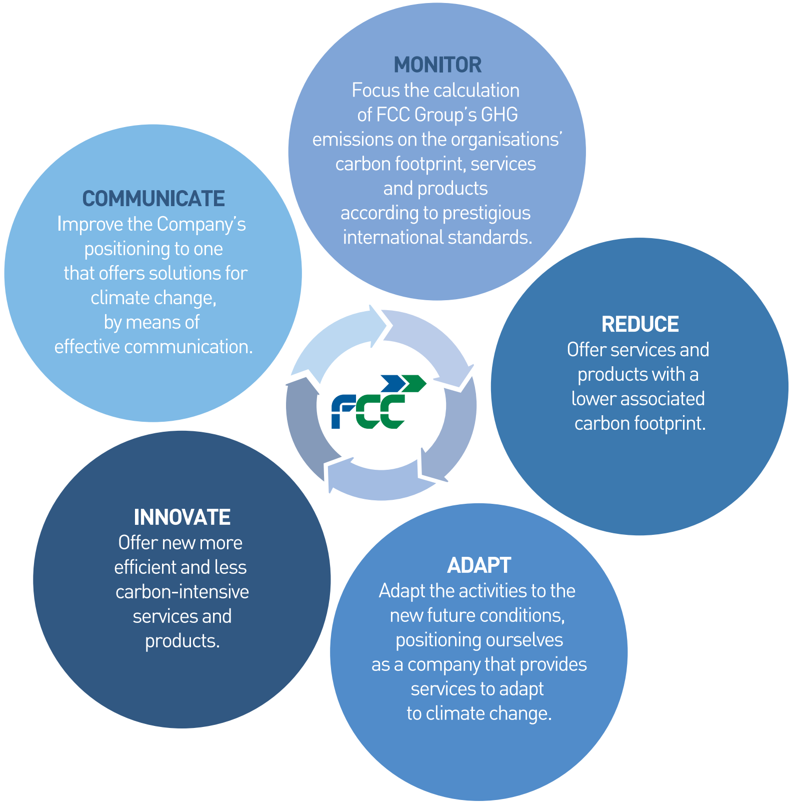
3.1. The corporate approach to Climate Change

The strategic nature that FCC Group confers to climate change is reflected in the appointment of the Steering Committee as responsible for positioning the Company's stance in this matter, as well as defining and approving the Climate Change Strategy. Furthermore, by means of its Climate Change Commission set up in 2011, FCC coordinates these aspects in different areas of the Company's business.

3.1.1. Pillars of the climate change strategy of FCC Group

Under the objectives established in the Corporate Responsibility Master Plan, the Company has developed its 2020 Climate Change Strategy. This strategy was born as a basic pillar of the smart services that FCC is committed to offering as a response to the opportunities in the environmental, social, and economic spheres posed by climate change.

FCC Group's 2020 Climate Change Strategy is structured around five pillars whose general objectives are the following:



FCC Medio Ambiente, the leading company in the sector to register with the Spanish Climate Change Office

The Spanish Climate Change Office (OEEC in Spanish) is a collegiate body under the General Directorate of Environmental Quality and Evaluation of the Ministry of Environment for the development of policies related to climate change.

The registration of the Company in this register represents the recognition of the efforts and the willingness of the Company to calculate its greenhouse gas emissions, with the goal of reducing and offsetting them, and thus supporting the Spanish strategy to reduce this type of emission.

On the other hand, this fact will enable the Company to design and deliver a new advisory service in the development of more efficient management and in guiding its clients on sustainable urban development.

As part of its Climate Change Strategy the Company developed an analysis of impacts that this phenomenon can pose on different lines of the Company's business, identifying the risks and turning them into opportunities as part of its business strategy for setting itself apart from its competitors. The most prominent are presented below.

ADAPTATION TO CLIMATE CHANGE			
Scope	**Infrastructure Sector**	**Water Sector**	**Environmental Service Sector**
Impacts on the activity	• Increase in the costs of production, operation and maintenance processes, as a result of extreme climatic phenomena. • Restriction in the availability of resources. • Incorporation of climate criteria in the regulation of the sector. • Risk to the integrity of Company products or projects as a result of climatic impacts.	• Restriction in the availability of resources. • Risks to the integrity of Company assets. • Increases in the costs of operation and maintenance of the facilities.	• Failures and interruptions in the operational and maintenance processes of the equipment as a result of climate variation. • Risk in the integrity of the infrastructure or faults/interruptions in the processes. • Stricter regulation in relation to the use of resources.
Associated challenges	• Increase reputational or legal damage situations. • Adjusting to a new regulatory framework that has greater environmental pressure. • Ensuring economic viability in light of increased costs as a result of climatic impacts.	• Response to the increases in demand. • Adaptation to a more restrictive future regulatory framework.	• Management of faults in the operation processes. • Ensure the integrity of the infrastructure and equipment. • Reduce health risks to personnel.
Potential opportunities	• Opening new markets in adaptation to climate change. • Improvement as a Company committed to environmental aspects. • Collaboration with the administration in the integration of climate change in the development of the sector.	• Development of new products and services. • Development opportunities for water management infrastructure projects in developing countries. • Collaboration with the administration in order to integrate climate change in the development of the sector.	• Expansion of the Company's activities toward developing countries. • Renovation of infrastructure as a means of managing extreme post-event situations. • Evaluation of alternative sources for the harnessing of same (particularly water).

3.2. Emission reductions: a common objective for the companies

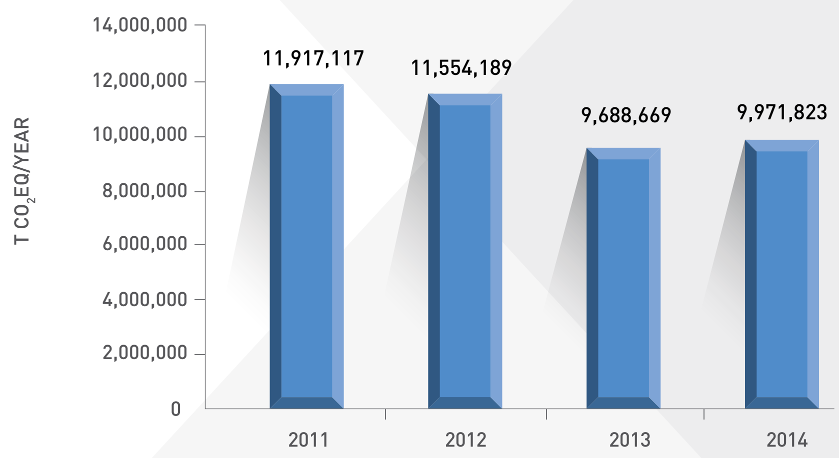
FCC Group maintains control over the GHG emissions of all the different areas of the Company. The 2020 Climate Change Strategy establishes some quantitative targets for emission reductions for all of the Group's lines of business. Based on energy efficiency criteria, sustainable mobility, recovery and recycling and waste management, the Company intends to reduce 360,000 t CO_2 eq, so that in 2020 a ratio of Mt CO_2eq/ M € of turnover is achieved, that is 3% less than the current rate.

The calculation of the scope 3 emissions represents a priority for FCC Group, which includes the following: emissions associated with the production and transportation of materials consumed, emissions associated with the execution of outsourced work units, emissions associated with transport and management of waste and surplus materials, emissions associated with company personnel's business trips and emissions resulting from losses during transport and distribution of electricity.

As an additional measure, FCC Group has a technical guide to energy efficiency. The goal of this guide is to improve savings in corporate spaces and to reduce CO_2 emissions into the atmosphere.

In 2014, the GHG emissions of FCC Group amounted to a total of 9,971,823 t of CO_2 eq, representing an increase from 2013 (9,688,669 t of CO_2 eq) and 2012 (11,554,189.00 t of CO_2 eq). In 2014 direct emissions reached 9,273,269 t of CO_2 eq, a figure that signifies an increase of 1% with respect to 2013.

RECT AND INDIRECT GHG EMISSIONS OF FCC GROUP (SCOPES 1 AND 2*)



*Emissions have been corrected with respect to the values published in 2013.

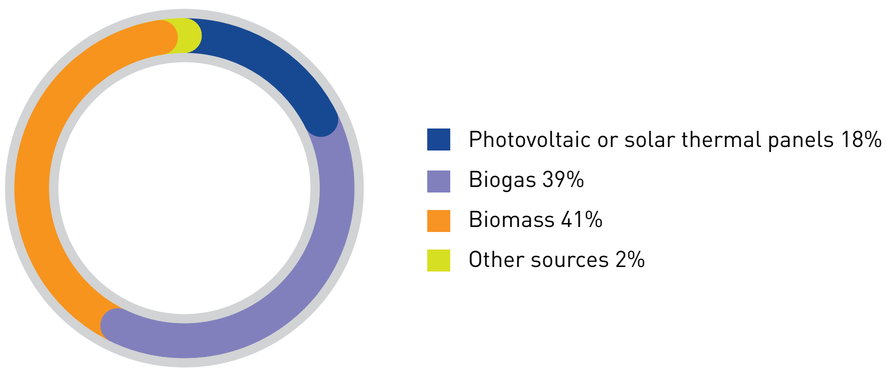
3.2.1. Commitment to renewable energy and the self-generation of energy

In its targets for reducing emissions, FCC Group is committed to the use of alternative energy sources and energy self-generation.

The introduction of innovative solutions in the municipal waste treatment and recovery plants demonstrates FCC's commitment to self-generation of energy and allows the organisation to reduce GHG emissions and improve the performance of electrical co-generation, taking advantage of the energy potential of biogas generated in the treatment of urban waste.

Likewise, as part of its climate change strategy, the FCC offsets part of its emissions by participating in different Clean Development Mechanisms (CDM). During 2014, Cementos Portland Valderrivas made a contribution of €227,000 to the Spanish Carbon Fund, thus completing its financial contribution, in order to promote renewable energy projects in countries such as Mexico, Brazil, India or China.

CONSUMPTION OF AUTO-PRODUCED



Carbon Disclosure Project

In 2014 FCC participated in the Carbon Disclosure Project (CDP) for the fifth consecutive year, and is scheduled to participate in the 2015 edition.

The CDP brings together more than 800 investors and maintains the largest database of risks and opportunities related to climate change, the plans to reduce emissions and the transparency of the activities of corporations to mitigate climate change.

The consumption of renewable fuels in 2014 shows an increase compared to 2013, except with respect to the consumption of biomass, which has been reduced by 31%. For its part, the consumption of non-renewable fuels such as natural gas and diesel have seen a reduction with respect to 2013, by 27% and 5.3% respectively, while the consumption of gasoline, heating oil and propane and butane have increased.

Consumption of renewable fuels of the FCC Group according to company divisions (GJ)

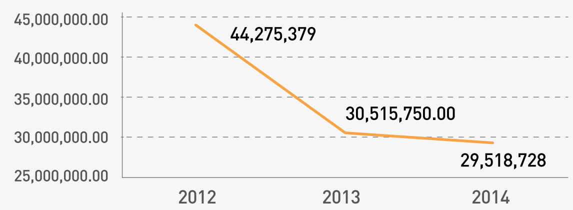
Fuels	Environmental services	Water	Infrastructure	Total
Bioethanol	1,446	-	-	**1,445.7**
Biodiesel	136,987	-	-	**136,987**
Biogas	134,707	84,618.0	-	**219,325**
Biomass	47,646	-	800,700.3	**848,346**

Consumption of non-renewable fuels of the FCC Group according to company divisions (GJ)

Fuels	Environmental services	Water	Infrastructure	Total
Natural gas	695,733	18,408.0	1,136	**715,277**
Petrol	36,256	2,710	18,555	**57,521**
Diesel	2,283,930	140,399	480,560	**2,904,888**
Fuel oil	8,612	1,793.2	335,913	**346,318**
Propane & butane	3,634	-	18,243	**21,878**

Total energy consumption has declined in 2014 compared to the previous year. This is despite the start of the Riyadh works and the commissioning of the two new industrial waste plants, as well as the increase in the scope of the information gathered by Construcción Centroamérica and FCC Aqualia. The end of active projects in Poland and Romania may have contributed to this slight decrease in consumption.

TOTAL CONSUMPTION OF ENERGY (GJ)



(*) Emissions of electrical energy have been corrected with respect to the values published in 2013.

3.2.2. Climate change in Environmental Services

The Environmental Services division of FCC has worked since 2011 on the definition and validation of management tools that are more specifically focused on the fight against climate change, such as the carbon footprint, and monitoring the intensity indicators, or managing the use of resources, both energy and water, as well as GHG emissions.

Carbon Footprint
FCC develops its products and services with a view to developing smart solutions as a competitive advantage in the city of the future; based on low-carbon economies and mitigation measures, and adaptation to climate change.

Carbon footprint of FCC Medio Ambiente

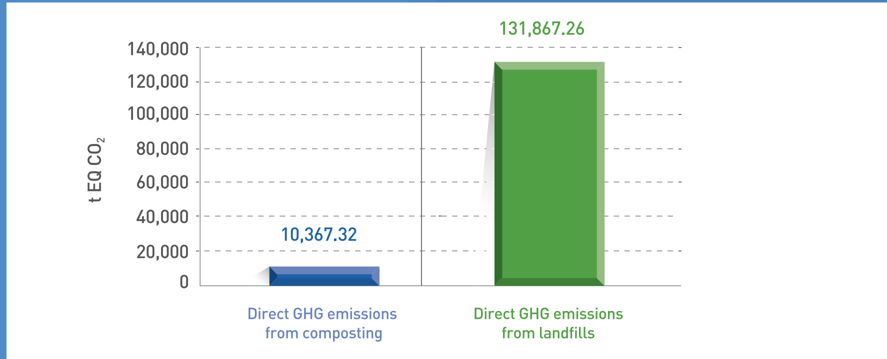
The calculation of the carbon footprint provides an overall picture of the impact that an organisation has on climate change, as a result of the development of its activities, by quantifying its GHG emissions and by the identification of its sources. Furthermore, it is intended to be a quick and efficient indicator that provides an overall picture of the improvements in energy efficiency with respect to the processes developed by the organisation in order to contribute to combating climate change. The study is verified by Det Norske Veritas Business Assurance Spain, S.L. (DNV-GL)

Since 2011 FCC Medio Ambiente has calculated the carbon footprint of the organisation, using the standard of the GHG Protocol as a reference. The evolution of this indicator translates what the tangible benefits were and the return effect of the low-carbon policy undertaken in the management of its services and facilities.

In 2014 the second verification of the carbon footprint calculation of FCC Medio Ambiente was carried out, corresponding to 2013 and with respect to the base year (2011).

Within the limits of its operational perimeter, FCC will focus on the degassing of the landfills (55% of Scope 1) to reduce its GHG emissions to medium-term, thus being able to achieve a reduction of Scope 1 of 40,000 TEQ CO_2.

2014 ENVIRONMENTAL DIVISION'S CARBON FOOTPRINT



Monitoring of the intensity indicators: helps the environmental efficiency of the services provided
With the objective of designing and proposing solutions based on an increasingly efficient technological services offer, FCC, through its FCC Medio Ambiente division, has been working for years in the definition and monitoring of tangible indicators that demonstrate the technical solvency of the organisation with respect to the responsible use of means and resources (water and energy), and in the transformation of waste into new resources, materials and energy. All this allows FCC to continue minimizing GHG emissions.

FCC Medio Ambiente works on the definition and quantification of a series of indicators to measure and translate the environmental performance of the services provided. Using these data the environmental balance of negative and positive externalities in terms of impacts on the environment is calculated. With this we are making progress in the improvement of the economic and environmental efficiency of the services offered, and we are committing to the technology and the good practices that best conform to the requirements of the customers in the medium and long-term.

In order to measure the overall balance of the externalities of the services provided, FCC Medio Ambiente uses the ec2d®[2] methodology, based on the GRI indicators. Based on this methodology the environmental impacts of the actions carried out by the Company are identified and the degree of fulfilment of the commitments made is assessed. This promotes improved energy efficiency of the services provided, reducing GHG emissions, recovery of material and energy potential from waste, and the preservation of water resources.

[2]In the environmental footprint or environmental metabolism of the organisation (based on the following principles of capture, delivery, avoidance and return of the endogenous eco-cycle of the set of our activities) all the environmental indicators of the GRI adapted to each activity are reflected. This methodology has been validated and verified by various external entities. Registered trademark in the Patent and Trademark Office: ® "CE2D", FCC Medio Ambiente, S.A./ M2931259/ Spain/2010.

Participation in the Climate Project, of the Ministry of Agriculture, Food and Environment (MAGRAMA)

All work carried out concerning the calculation and monitoring of GHG emissions, in direct collaboration with the managers of plants for the treatment, recovery and disposal of urban solid waste, have led FCC to commit to the Climate Project initiative.

In July 2014 the project proposal to reduce GHG emissions was submitted, "Degassing of the controlled solid urban waste tank in Gomecello, in the province of Salamanca".

The project was selected by the Spanish Climate Change Office (OEEC in Spanish) of MAGRAMA which will buy, over the next four years, the reduction in emissions achieved for a total amount of 400,000 euros.

The objective of the project is the catchment of biogas emitted from the rejects' landfill of the waste treatment centre (CTR) in Gomecello. To achieve this, the spill zone will be completely degassed from 2007 to 2013, and the rest of the landfill will continue to be degassed so that it can be exploited in the coming years. The landfill contains 598,516 tonnes discharged from 2007 to 2013, estimating a figure of 1,038,760 for 2018. These residues contain a percentage of biodegradable matter capable of producing methane under anaerobic conditions.

First urban sanitation company to register the calculation of the carbon footprint

All the work performed in this line has allowed FCC Medio Ambiente to become the first company in the sector to achieve registration in the register of carbon footprints, compensation, and sequestration projects for CO_2 of the Ministry of

Agriculture, Food and Environment, in section (a) carbon footprint and commitments to reducing greenhouse gas emissions.

Tool for measuring environmental impacts

FCC's urban services subsidiary in the United Kingdom, FCC Environment has implemented a software tool called WRATE (Waste and Resources Assessment Tool for the Environment), which allows environmental impacts of different municipal waste management systems to be compared.

The program uses life cycle evaluations to include resources used, the transportation of waste and the operation of a wide range of waste management processes with their environmental benefits and costs. WRATE is designed so that managers can easily apply complex techniques for the management of the life cycle of urban waste. The results are easy to understand and interpret for financial managers, politicians, and other interested parties.

3.2.3. Climate change in Integral Water Management

In 2014 several actions were initiated to improve efficiency in the use of resources in FCC's Water Management division, FCC Aqualia, which have represented a qualitative leap with regard to environmental management.

Carbon Footprint

The Company's willingness to combat climate change is a real fact that acquires greater dimensions year after year, and that is evident through the actions aimed at controlling emissions as a result of its activity.

Proof of this is that already in 2013, through Aigües de Lleida, FCC Aqualia became the first Spanish company in the water sector to calculate and verify its carbon footprint.

Calculating the carbon footprint of Aqualia Infraestructuras

In 2014 a further step was taken and Aqualia Infraestructuras successfully calculated its carbon footprint in a comprehensive water management service, verified by AENOR based on the Standard UNE-EN ISO 14064-1:2012, identifying and quantifying the direct and indirect emissions released into the atmosphere. The results of the survey are to be included in the Ministry of Agriculture, Food and Environment (MAGRAMA) in 2015 and will serve to identify new environmental improvements and develop new initiatives aimed at the eco-efficient management of the resources.

For the year 2015 the calculation of the carbon footprint of all the activities of FCC Aqualia has been established as an objective, thus creating a very ambitious challenge, something that demonstrates environmental commitment.

Water Footprint

Through FCC Aqualia, FCC has conducted the first collaborative study to calculate its water footprint in Spain, which is a reference for the sector.

Study of the water footprint of Cantabria

The study for calculating the water footprint, carried out in 2014, to learn about the impact of water consumption in Cantabria, was considered emblematic. The study was carried out with the joint collaboration of a private company expert in the management of the integrated urban water cycle, FCC Aqualia, the largest family foundation in Spain, the Botín Foundation, and public universities such as the Complutense, the Polytechnic of Madrid, and the University of Cantabria.

FCC Aqualia considers it important to highlight the convenience of using these types of methodologies and calculations as a tool that is becoming increasingly vital and effective in the hydraulic planning of regions and territories, so that the managers can have a greater and more comprehensive knowledge of the water balance sheet, including its current balance.

The work carried out has revealed that the water does not only represent important natural capital for the region, but that it also helps to give it value as a social and economic resource of crucial importance.

Energy Management Systems

FCC Aqualia is committed to energy efficiency as one of the pillars to achieving sustainability. Reducing energy consumption directly affects environmental improvement, but also reduces costs for end users. Electrical consumption represents 8% of the cost of the service provided.

In 2011 FCC Aqualia started the implementation and certification of an Energy Management System in accordance with Standard UNE-EN ISO 50,001:2011, aimed at reducing emissions and improving the efficiency of resources. Subsequently, and given the good results obtained, the implementation continued across new centres. Finally, in 2014, two new localities were added, Lleida and Aranda del Duero.

In 2015 the Company wants to make a definitive step forward and achieve the implantation of an energy management system in the entire Integrated Water Management division in FCC, which will allow a greater reduction in fuel consumption and emissions, as well as greater control of same.

FCC Aqualia part of the Green Growth Group

In 2014 FCC joined the Spanish Group for Green Growth, an initiative launched in 2013 within the framework of the European Union, which brings together companies involved in the fight against climate change. FCC is part of this group through FCC Aqualia.

One of the challenges of the Green Growth Group is to promote the participation of companies with a view to move forward together toward sustainable growth, recognising the important role of renewable energy, energy efficiency and other sustainable technologies. It is also committed to a swift and robust implementation of a Market Stability Reserve to provide the thrust needed to invest in an efficient low-carbon economy.

One of the major interests of the Green Growth Group is that the European Commission should speed up compliance with the economic and environmental agenda and the horizon 2030 climate change objectives. Among these objectives are the reduction of at least 40% of greenhouse gas emissions by 2030 compared with 1990 levels; achieving a market share of renewable energy production of 27%; and the improvement of energy efficiency by 27% in 2030 compared to the usual trend scenario. Likewise, it also takes into consideration the review of energy efficiency objectives of the Europe 2020 strategy.

3.2.4. Climate change in Construction

Carbon Footprint

The Construction division of FCC has verified its GHG emissions since 2011. In addition, since 2012, FCC has had its carbon footprint certificate approved by AENOR, "CO_2 Environment Verified". Additionally, in 2014, it has re-obtained verification of the GHG emissions by an accredited auditing body, using the latest version of ENCORD's CO_2 quantification referential, an industry document that has received the "GHG Protocol" logo, which accredits it as the methodology to be considered for the calculation of the carbon footprint in the construction sector.

It should be noted that FCC Construcción has become the first construction company to register its carbon footprint in 2013 to achieve registration in the register of carbon footprints, compensation, and sequestration projects, created in 2014 by the Ministry of Agriculture, Livestock and Environment. In this way, through its construction subsidiary, FCC Group has been the first company of the IBEX-35 to receive the certifying stamp from the Government, which recognises companies that voluntarily subscribe to this initiative.

In order to measure the carbon footprint, FCC Construcción identifies the main sources of greenhouse gas emissions of its works or fixed centres, defines the boundaries of the organisation and operational limits, and collects and transmits activity data from the work site to the corporate level. FCC Construcción quantifies scope 1, 2 and 3 emissions.

For the calculation of the inventory of greenhouse gases, a centralised approach is used, integrating activity data received from each of the work sites and fixed centres, and quantifying the emissions at the corporate level.

3.2.5. Climate change in Cements

The Group's activity that generates the most CO_2 emissions is the manufacture of cement. The CO_2 emitted to the atmosphere in the cement manufacturing process has two sources of origin. Approximately 60% of the amount emitted originates from the process of decarbonisation caused from converting the calcium carbonate ($CaCO_3$) of the limestone, which is used as the main material, into calcium oxide (CaO) and carbon dioxide (CO_2).

The remaining 40% is produced in the combustion required to reach the high temperatures in furnaces necessary to cause the chemical reaction which enables the formation of the clinker. These emissions, therefore, are directly proportional to fuel consumption and its characteristics.

The CO_2 emissions mitigation strategy is based on the following:

1. Promote the substitution of fossil fuels using biomass alternative fuels.
2. Encourage the substitution of natural raw materials for total or partially decarbonated raw materials to reduce emissions in the firing of clinker.
3. Improve energy efficiency, optimising clinker manufacture installation.
4. Increase the volume of additives in cement manufacture to reduce the clinker factor per tonne manufactured.

For the first two points Cementos Portland Valderrivas, of the FCC Cement Group, maintains the goal of continuous growth, substitution by alternative fuels has been a factor of 11.4% in all Spanish factories, and the use of alternative raw materials has been 3.7%.

The combined application of the above measures in different factories of Cementos Portland Valderrivas provides a gradual approach to the value of the European benchmark of CO_2 emissions per tonne of clinker (766 kg CO_2/t clinker).

4. ENVIRONMENTAL MANAGEMENT AT FCC

Protection and conservation of the environment as part of our commitment to stakeholders

As an organisation present in the sectors of environmental services, water and infrastructure, FCC Group is committed to the protection and conservation of the environment and the responsible use of resources, in addition is aware of the importance of these aspects to its stakeholders.

This commitment is reflected in the Group's environmental policy, approved by the Board of Directors. In said policy the objective of the Group is established to achieve environmental excellence, which minimizes the negative impacts from any activity that FCC carries out.

To this end the Group carries out operational monitoring of all its processes, which allows it to identify, characterize and assess the environmental aspects that relate to its facilities, as well as to subsequently determine the necessary steps to minimize the negative impacts on the environment.

Milestones in 2014

- Preparation and publication of the Sustainability Report 2013-2014 (G4) of the Construction division.
- Publication of FCC Construcción's annual Progress Report 2014, achieving the "advanced level" for the third consecutive year.
- Incorporating new environmental criteria into the policy, procedures, guides and software applications of the environmental management system.
- Development of basic guidelines to provide instruction on how to act with respect to the conservation and management of biodiversity and the management of cultural heritage.
- Implementation and certification of the Energy Management system at the FCC headquarters in Las Tablas (Madrid) in accordance with ISO 50001.
- Development and deployment of the DISCON-CACUMEN IT application for environmental management: on-line, multilingual and adapted to the reality of international projects.

Challenges in 2015

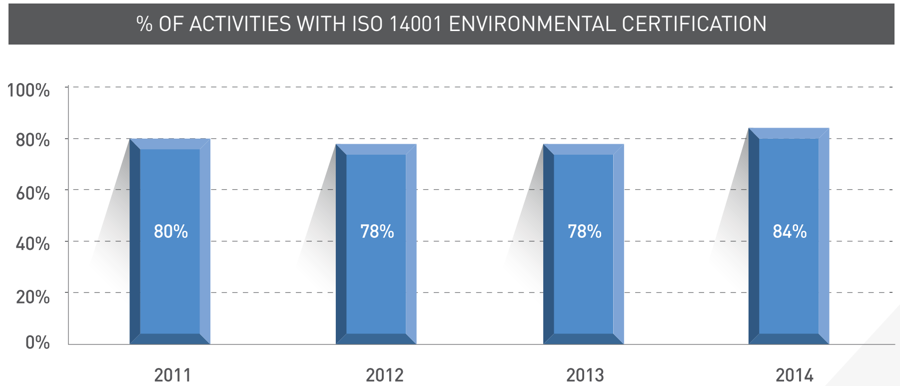
- Extension of the certification of the environmental management system ISO 14001.
- Creation of an outline to synthesize the due diligence of FCC Construcción in the field of human rights, ethics and integrity, procurement practices, environment and health and safety.
- Adaptation of the good environmental practices in construction system, to incorporate best practices with regard to social issues.
- Development of its own methodology for assessing sustainability in civil works.
- Dissemination of "15 years of good environmental practices" of FCC Construcción.
- Creation of a library based on the experiences and best practices implemented into projects, such as support for all FCC's construction work, mainly in the international arena.

4.1. Environmental management system

FCC's **Environmental Management System** is a basic instrument for the eco-efficiency of the production processes. The Company continually promotes the environmental certification of all its activities and installations.

A large majority of the areas of FCC Group have an environmental management system certified according to Standard UNE-EN ISO 14001:2004. Each of the divisions has the objective of certifying 100% of its operations under this standard. Specifically in construction, after each acquisition a period of six months is established, with the purpose of aligning the project with the environmental policy of the Company.

The following graph shows the evolution of the environmental certification under ISO 14001 for the organisation.



In order to understand the effectiveness and degree of development of the initiatives and projects that it develops, FCC makes use of an internal information collection and management system called **"Horizonte"**. With a total of 25 environmental indicators, broken down into groups, lines of business and countries, the tool also serves as a starting point for the design of improvement plans and corrective actions.

The commitment and effort that the Group dedicates to protecting the environments where it operates and works, means that the investment that FCC allocates to prevention, remediation and environmental management during 2014 has amounted to almost 100 million euros.

FCC's Construcción division has consolidated the implementation of the Environmental Management System in Mexico and FCC Central America, so that this covers virtually all activities of the Company throughout the world, which has allowed a more accurate and thorough collection of information on environmental indicators. The objective of FCC Construcción is to achieve the certification of these countries in 2015, so that the percentage of certified activity would be 100%.

To ensure better environmental results beyond that established by law, FCC Construcción uses a system of good practices, through which each project implements a series of actions that the Company has classified on the basis of an analysis of previous environmental impacts and their classification.

These good practices are weighted based on several factors, so as to gain a better appreciation of the following:

- Actions that result in a greater benefit to the environment.
- Those that are intrinsically better.
- Actions that are more innovative and require a greater effort with respect to works (either with regard to the investment, research or ingenuity involved).

An IT application manages the Environmental Plan of the work sites and centres and ensures the reliability and availability of the data. Thus, the environmental information generated in each work site becomes part of a database that allows the environmental pulse of the Company to be taken, and measures for improving and informing the Group are undertaken.

A rigorous internal auditing system, and its own controls, that the data undergo in the different integration processes, validate their accuracy. During 2014, the Construction division conducted a total of 150 audits.

In addition, all the works of the Group are subject to a risk assessment, which yields findings with respect to the degree of risk they entail. The Organisation has identified at all times, in the risk matrix, those works that represent a greater risk.

Furthermore, FCC uses a more exhaustive audit process, applied to certain works with a higher level of risk, called PETRA (Special Plan for the Treatment of Risks). This process, that analyses issues of technical risks in contract management, technical planning (deadlines and resources), and the effective submission of claims and tracking of penalties. The expansion of the PETRA programme to the international arena in 2013, and its consolidation in the financial year 2014, has assumed important support for the large international contracts.

SAMCEW, Sustainability Assessment Method for Civil Engineering Works

In mid-2014 FCC Construcción began work on the development of SAMCEW, Sustainability Assessment Method for Civil Engineering Works. This methodology is based on the experience of implementing the management and sustainability system of FCC Construcción, on the work carried out by international civil engineers in the working groups of "Sustainability in civil engineering works", ISO and CEN, of which FCC Construcción holds the presidency, and on methods of assessing the sustainability of existing and internationally recognised infrastructures.

SAMCEW is conceived as a self-evaluation and rating system, which may be used in construction projects as an internal management programme to plan construction work, and identify required improvements and share advances in sustainable practices. This methodology will allow managers of the civil engineering works to demonstrate the sustainability of their projects to their customers, planners, and other interested parties.

The methodology includes the three pillars of the sustainability, environmental, social and economic models, during all stages of the life cycle of the civil engineering work.

It is planned to publish the methodology in 2015, as well as disseminate it internally and externally, and perform internal validations in several of the Company's significant projects, including the Riyadh Metro.

Sustainable project management

For the financing of construction projects that FCC may be awarded in Latin America, FCC Construcción has been subjected to an activity review throughout the continent. As a result of this review some recommendations were established, which include the need to reinforce respect for the indigenous peoples and the protection of biodiversity.

It should be noted that FCC does not perform works in any area of conflict. However, the construction of the Zapotillo dam (Mexico) is the only one of the Company's projects that is currently stopped due to social conflicts with indigenous communities.

Participation and leadership of FCC Construcción in technical committees in the construction sector

FCC Construcción believes that it is partly responsible for the task of achieving a form of construction that is more environmentally-friendly and more sustainable. For this reason, the Company is actively involved in various working groups specific to Sustainable Construction in the international, European and state arenas, suggesting possibilities, getting involved in the process, and providing solutions and perspectives from its own scope of action. The following topics are addressed within these working groups:

- Definition of terminology and general principles.
- Description of the life cycle of the building or infrastructure.
- Definition and use of sustainability indicators in building and civil engineering works.
- Environmental Products Declaration.
- Determination of a method for assessing environmental, economic and social performance in building and civil engineering.

Some of the specific working groups in which FCC Construcción works are:

- "WG5 - Sustainability in Civil Engineering Works," in the international technical committee ISO/TC-59/SC17 of "Sustainable Construction".
- AEN/CTN 198/SC2 "Sustainability in infrastructure", of which it holds the presidency.
- Committee CEN/TC-350 on "Sustainability in construction work".
- AEN/CTN 198 Committee on "Sustainable Construction" and AEN/CTN 198/SC2 "Sustainability in Civil Engineering Works".

Furthermore, in the field of standardisation, the presence of FCC Construcción is noted in the following organisations related to sustainable construction, which are, among others, as follows:

- International Initiative for a Sustainable Built Environment (iiSBE).
- Green Building Council España (GBCe), which is the Spanish Council of the International Association "World Green Building Council", set up as a channel to provide, in Spain, all the information about the certified building's tool, LEED.

BREEAM España's Advisory Council, responsible for charting its development strategy, representing the stakeholders in the area of building.

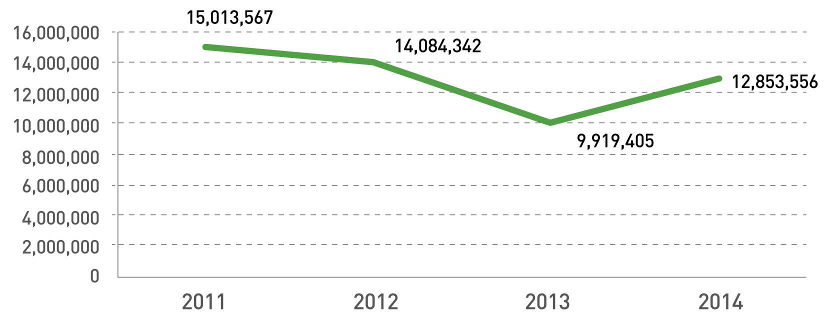
4.2. The management of water consumption in all activities

Water is a resource as valuable as it is scarce and necessary, and whose demand is increasing. Population growth and the global economy, improving living standards and climate change are some of the main causes. The degradation of water resources makes it critical to seek solutions that promote efficient management to make it possible to meet this growing demand and need.

FCC Group is aware of the need to manage water properly and promotes its rational consumption, since many of the activities of FCC Group directly depend on this resource. In 2014, FCC Group's water consumption amounted to 12,853,556 m^3, of which 52% is from municipal supplies.

Although water consumption has increased 23% with regard to the previous year, the amount is maintained below 2012 levels. In this respect, water consumption for that year is approximately 9% lower.

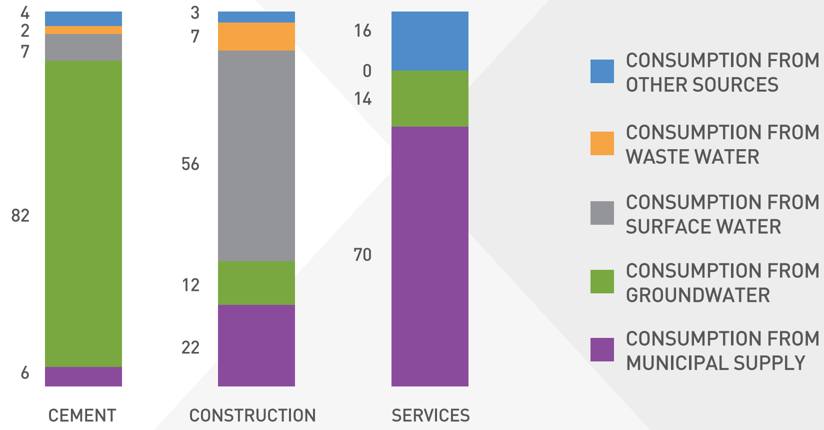
WATER CONSUMPTION (m³)



The following graph shows water consumption by business area. With respect to the previous year, consumption of the Construction and Cement divisions register 7% and 5% declines respectively for total water consumed. On the other hand, the Environmental Services division's consumption has increased from 59% to 69% in 2014. The remaining 2% corresponds to FCC's Water Management division.

CONSUMPTION OF WATER BY BUSINESS AREA

WATER CONSUMPTION BY BUSINESS AREA ACCORDING TO SOURCE (%)



4.3. Present in the integrated water cycle

FCC Aqualia is the FCC Group company that develops its activity around the management of the integrated water cycle. The Company focuses its activity on public service concessions and on water collection, processing, distribution and purification, in addition to other design and construction of water infrastructure activities. Aqualia FCC provides supply and/or sanitation services to more than 28 million inhabitants. The geographical diversification makes FCC Aqualia one of the few companies in the world able to deliver any service that is linked to different uses of water.

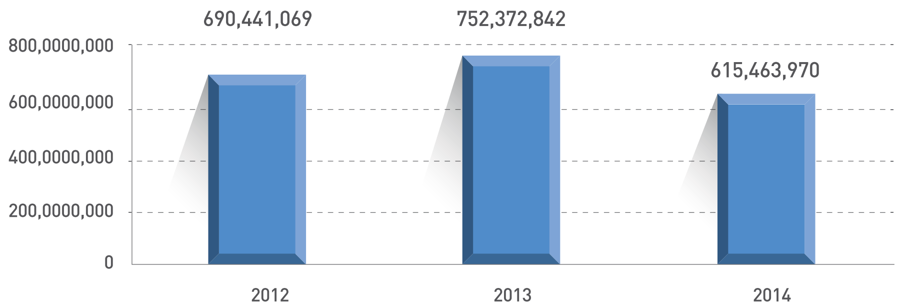
The Company guarantees the quality of the water for any need and ensures its return to the environment in optimal conditions, while minimizing the environmental impact.

FCC Aqualia is actively committed to the sustainable use of natural resources and the fight against climate change. The Company focuses its efforts on the development of initiatives and activities geared to improve their energy performance and to reduce/compensate for its environmental footprint.

FCC Aqualia has environmental management systems certificates in accordance with Standard UNE-EN ISO 9001 and 14001 in all of its activities, which allows the correct implementation of the environmental plans. As the Company expands the scope of said certification it facilitates the homogenisation of plans as well as the maintenance of quality levels.

The total volume of captured water for management carried out by FCC Aqualia in 2014 was 615,463,970 m³.This figure represents a decrease of 18% approximately with regard to 2013, and 11% with regard to 2012.

VOLUME OF CAPTURED WATER TO BE MANAGED (m³)

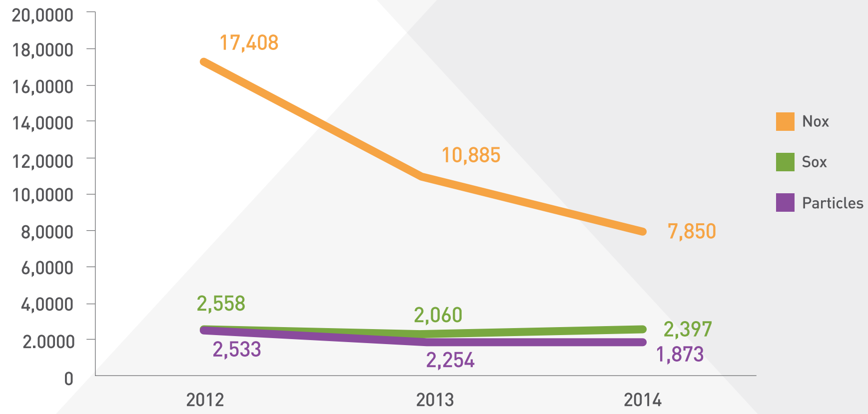


4.4. Atmospheric emissions

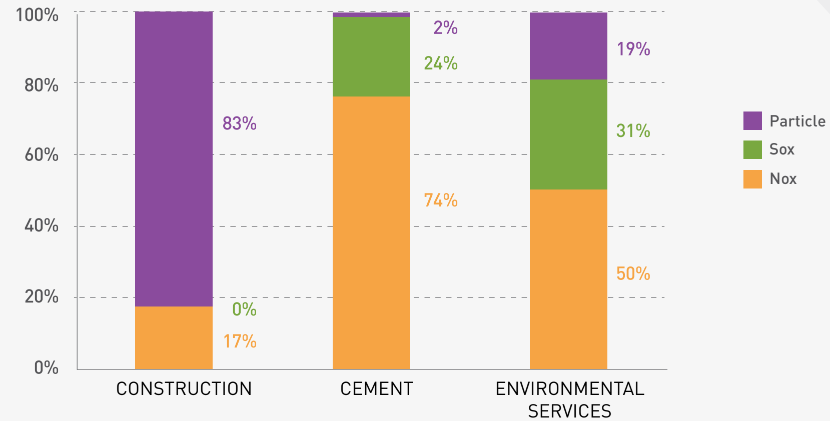
Group's main emissions, in addition to carbon dioxide emissions (CO_2), are nitrogen oxides (NOx), sulphur dioxide (SO_2), chlorofluorocarbons (CFC) and solid particles. NOx emissions are produced primarily in the Cement Division; SO_2 emissions are mainly produced in the Environmental Services Division, and the particles in the Infrastructure Division.

The following graph shows the evolution of SOx, NOx and particles emissions. For the latter two, the decrease compared to the previous year is 28% and 17% respectively. On the other hand, SOx emissions have increased by around 11%. These reductions are related to the decline in cement production in the USA and to the change in fuels used at the Ecodeal industrial waste plant in Portugal.

SOx , NOx AND PARTICLE EMISSIONS (t)



% OF EMISSIONS BY BUSINESS AREA



Each business area of the Group has initiatives to reduce emissions associated with combustion, which directly lead to the reduction in particle emissions, NOx and SO_2. In addition, the construction division has considered, within its scope of other emissions, those associated with its supply chain in the following percentages:

- Particles: 18.65% own and 81.35% supply chain.
- NOx: 4.77% own, 95.23% supply chain.
- SOx: 99.07% own, 0.93% supply chain.

The reduction in emissions of NOx is mainly a priority for the cement division. The Company controls emissions through systems of continual measurement for the main pollutants. Therefore all factories are equipped with the following:

- Analysers for the measurement of particles in the emission sources channelled from furnaces, clinker coolers, cement mills and coal mills.
- Multi-parametric gas analysers for the measurement of NOx, SO_2, CO, HCl, HF, COT and O_2 in the furnaces.

For its part, the Construction Division prevents its emissions by means of an exhaustive control of its machinery and the use of the best technology available. To minimize the air pollution, the Company carries out a series of good practices, among which are:

- Reduction of dust by watering roads and stockpiles.
- Use of additives in the irrigation water to create surface crusting, paving of the tracks, or other lasting dust-control practices.
- Use of screens against dust dispersal in localized activities.
- Use of molecular action sprayers in dust generating facilities.
- Use of drilling machinery with dust humidifier systems.
- Good preventive maintenance of the machinery used on the site.
- Employment of tubes for the disposal of debris from a height, and covering the containers with tarpaulins.
- Control of vehicle speed on the site.
- Proper location of machinery and dust emitting activities.
- Paving of the roads at the site.
- Reduction in the emission of exhaust gases from vehicles and machinery.

Furthermore, all of the Group's centres subject to Integrated Environmental Authorisations (in accordance with Law IPPC 16/2002) have established atmospheric emissions' limitations for all their sources of emissions. In general, they all have gas cleaning and filtering systems that use different techniques depending on the characteristics of the process generating the emissions.

4.5. Control of discharges and spillages

FCC Group establishes very demanding and specific procedures for the prevention and proper management of spillages by means of its environmental management systems and integrated environmental permits. In order to avoid negative environmental impacts, each centre has action protocols that establish responsibilities and what to do in the event of an accidental discharge or spillage.

The Company's own waste water receives different treatment, according to its nature and contaminant load, before being returned to the environment, with the purpose of complying with the established discharge limits set out in the regulation, or in the permits.

For its part, FCC Construcción takes into account all the possible effects on the hydrological environment produced by discharges resulting from its activities. The goal is to maintain the quality levels of water from the works area in the receiving environments, as well as the quality and distribution of water, both surface and underground water, from the area of influence of each centre.

When carrying out direct or indirect discharges, all FCC Construction centres request the corresponding administrative authorizations for such discharges, that reflect the water quality parameters that should be controlled and the frequency of the controls. For this reason, according to the flows of the discharges, the characteristics of the effluents and those of the receiving environment, certain quality parameters are controlled more than others. At all FCC works, an initial characterisation analysis is performed by a recognised laboratory before discharges are carried out, to check that the effluent is within established limits. Subsequently, the necessary analyses are carried out according to the established frequency.

Furthermore, it is important to point out that FCC Group manages and treats other discharges that do not come from its own activities, as part of its integrated water cycle activities developed by FCC Aqualia.

DISCHARGES TREATED BY FCC AQUALIA	
Volume treated in waste water treatment stations and returned to the environment (m³)	
2013	2014
502,061,050.9	526,723,447

4.6. Waste generation

4.6.1. Waste generation in Infrastructure

Environmental management systems require and ensure the proper management of the waste arising from the activities. The waste is collected separately in all the Group's facilities in accordance with current legislation in force. The prevention and the segregation of waste for storage until its final management, by authorised managers, giving priority to the best option when possible: recycling, reuse and/or assessment of the elimination or disposal in landfill.

Within FCC Construcción's Environmental Management System, special emphasis is placed on the management of waste from the work sites, of both the earth or surplus rocks, such as clean debris and other waste.

The reduction of the volume of material sent to landfill, and the exploitation through reuse, or transformation, is an indicator of good management of this aspect.

4.6.2. Waste Generation in Environmental Services and Integrated Water Management

The Environment division, by means of its activities directly related to the management of urban solid waste and equivalent wastes, from its collection to treatment and disposal, promotes selection at source, introducing better technologies at its facilities and developing good practices in order to increase the proportion of waste that can be reused, recycled and recovered.

At FCC Aqualia tireless work is carried out in innovation with the purpose of discovering new methods of reducing waste from the integrated management of the water cycle. Thus, the Company devotes a great deal of effort in the implementation of new technologies through investment in R&D&i in two ways in particular:

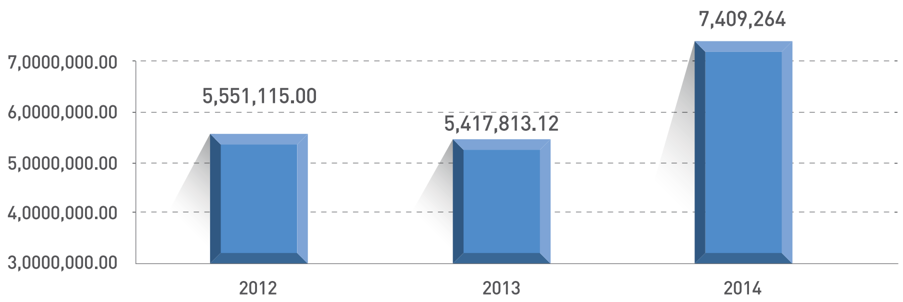
- The production of biogas for its use as a fuel for boilers and for electrical energy from organic waste from bacteria in the digesters.
- Reuse and recovery of sludge derived from water purification processes at the Wastewater Treatment Plants for its subsequent use as compost in agricultural applications.

4.7. Waste management

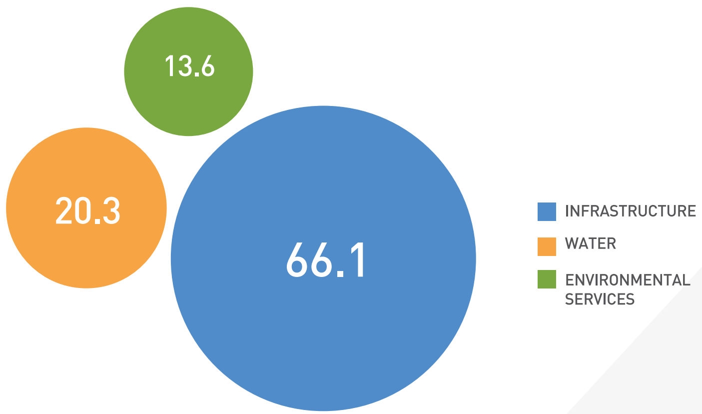
Waste management is an underlying problem resulting from increasing urban growth and development. The use of digital technology, the use of waste as a source of energy or the increase in the efficiency of the elimination of waste will help to take on this challenge. FCC's strategy is committed to recycling, reuse and recovery of waste in order to face up to this problem.

In the following graph, the evolution of total waste generation can be observed. In 2014, the amount registers an increase of 37% compared to 2013. The reasons behind this increase are due to the increase of lixiviate wastes generated in the industrial waste division, to an increase in soil decontamination services, as well as due to a fire that occurred in one of the Valladolid waste treatment plants.

EVOLUTION OF TOTAL WASTE GENERATION (t)

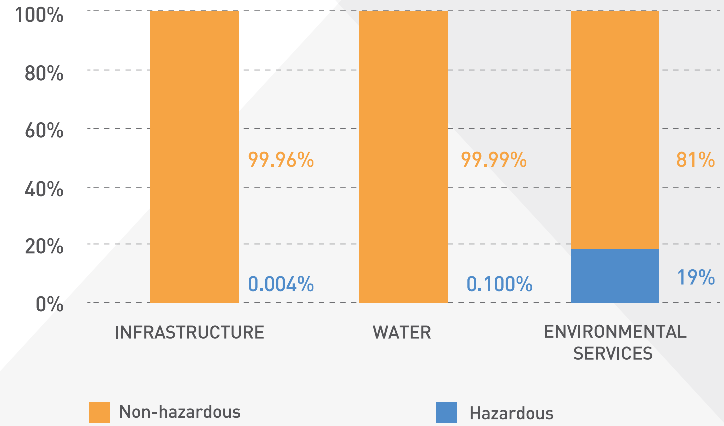


ORIGEN OF WASTE GENERATED (%)



Following the "three Rs" rule (Reduce, Reuse, Recycle), as a strategy applied to waste management, FCC Group gives priority to reducing the volume of generated waste, from the implementation of the best practices available and the efficiency of processes in the various business divisions.

WASTE GENERATION BY BUSINESS AREA (%)



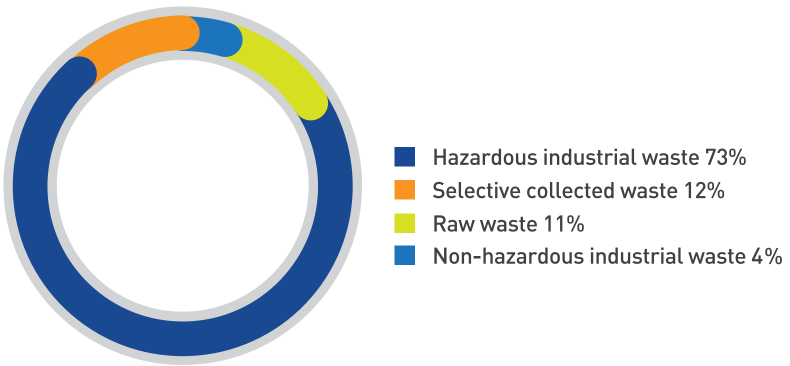
The Group has a line of business that specialises in integrated waste management; the volume of waste collected is over six million tonnes of different kinds of waste (industrial and urban waste, hazardous or non-hazardous). The volume of waste admitted at the Group's facilities to be managed increased in 2014 to over 9.5 million tonnes. The waste management specialised companies include FCC Medio Ambiente, FCC Environment (UK), .A.S.A. and FCC Ámbito.

The divisions of FCC Medio Ambiente, FCC Environment (UK) and .A.S.A. are subsidiaries of the Group that provide urban sanitation services, such as waste collection, street cleaning, the transport and treatment of urban wastes and the maintenance and upkeep of parks and gardens. The FCC Group is a leader in this sector in Spain and is one of the largest operators in Latin America, United Kingdom, Austria, Portugal, Egypt and the following eastern European countries: Slovakia, Hungary, Poland, Romania, Bulgaria and Serbia.

On the other hand, FCC Ámbito provides services in the field of integrated management of industrial waste, industrial cleaning, decontamination of soil and external intervention in case of accidents, spillages, discharges, etc.

This diversity, regarding the broad range of waste that it manages, and the breadth of countries across which it offers solutions, makes FCC Group one of the world's leading companies in integral waste management. So much so, that throughout the whole of 2014, the Group collected more than 6,276,488.07 tonnes of different types of waste, the majority being urban waste, both raw and from selected collection. The following graph shows the percentages of waste collected by type.

COLLECTED WASTE



With regard to waste treatment, FCC Group has facilities for the treatment of all types of waste. The Company carries out recovery processes, elimination in controlled landfill, deposits in slag tips and stabilization.

In 2014 the Company treated 11,811,693.22 tonnes of waste at its facilities.

TREATMENT GIVEN TO THE WASTE ADMITTED TO FCC FACILITIES

Waste treatment	% of the total admitted at FCC facilities
Recovery in selection and classification plants	9.9
Recovery by biological treatment	7.4
Recovery by heat treatment	6.6
Recovery in construction and demolition-waste plants	0.0
Elimination in controlled landfill	53.0
Deposits in slag tips	0.0
Recovery by recycling	1.2
Energy recovery	0.1
Recovery by physical-chemical treatment	4.5
Stabilisation	1.5
Transfer to an end manager	15.8

Each area of business has its own waste management plans, with the common approach being that of responsible consumption of raw material in order to minimize their generation.

4.8. Protection of biodiversity

The activities of the Group have an associated impact on the ground, and therefore on biodiversity. The most relevant impacts on the environment take place in the Cement and Construction divisions. To mitigate the average effect on these impacts, the Group is developing comprehensive management approaches for the restoration of affected spaces and protection of biodiversity. Therefore, the physical condition of the environment in which they work to host its indigenous biodiversity, the management of the natural environment to improve the conditions of biotopes and eradication of invasive species of high ecological impact, are the guidelines on which the activities of the Group are supported in its concern for the conservation of biodiversity.

The estimated surface area of protected zones or areas of high value for biodiversity, contained within, or adjacent to, the activities of the business areas is 271,450.63 hectares.

It is important to point out that from 2013 FCC joined the Spanish Corporate Biodiversity Initiative (IEEB, Spanish acronym), driven by the Biodiversity Foundation of the Ministry of Agriculture, Food and the Environment. The initiative aims to integrate biodiversity as another factor to consider in the strategic decisions of companies. FCC was one of the first companies to join the initiative.

In the Cement division the main impact on biodiversity is the alteration of habitats and ecosystems as a result of the operation of quarries and gravel pits to obtain the raw material.

The Company has restoration plans with the aim of rehabilitating or recovering, to the extent possible, the original state of the exploited areas, thereby helping to reduce the impact on biodiversity.

The restoration methods most commonly used are transfer mining, which takes advantage of the earth movement generated in the same extraction activity to restore, at the same time, the areas already exploited, as well as the method of benching down, which allows the restoration work to begin on the upper banks already exploited.

The total area affected by the quarrying of Cementos Portland Valderrivas in Spain, from the beginning of the activity until 2014, is 965 hectares for the cement quarries, and 1367 hectares for the aggregate quarries. Of the total open surface, 494 and 1029 hectares have been restored, of which 51 and 75 hectares were restored in the last year.

Through the Construction division, FCC has taken measures for the protection and restoration of degraded areas, or areas that are particularly sensitive to degradation, since it is aware that the execution of the works has an inevitable effect on plant and animal species and their habitats. In 2014, 612,600 m^2 of protected area were restored and measures were introduced for the protection of 743,052 m^2 of sensitive areas.

In addition, FCC Construcción has introduced new approaches to environmental assessment in its works. Basic guidelines have been developed to provide instruction on how to act with respect to the conservation and management of biodiversity and the management of cultural heritage, disseminating the guide on the Intranet. The Company has set itself the objective of creating and reporting on these matters to promote their successful implementation.

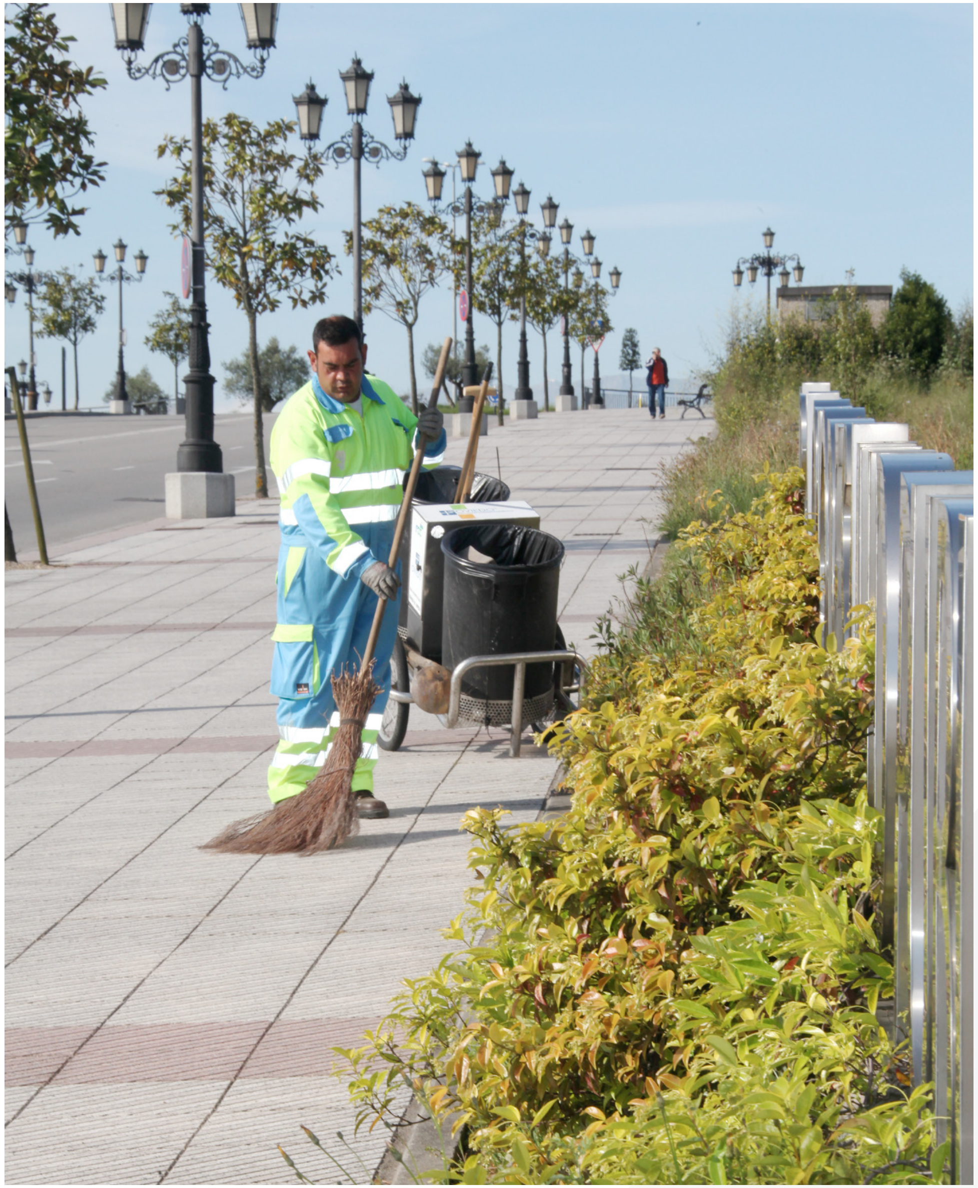
All measures carried out by the Group for the protection of biodiversity vary in their definition and grade of application, according to the type of project and the environment in which it is located, but they are always designed to condition the surface of the ground, avoid its possible erosion and protect the landscape, allowing the natural development of its ecosystems.

Participation in the EU ZERO IMPACT LIFE project

As a demonstration of its commitment to the protection of biodiversity, the Construction division of FCC has launched the ZERO IMPACT LIFE project, through which it aims to develop and demonstrate the effectiveness of an anti-collision screen for birds on high-speed rail lines. The project is defined and funded by the European Union within the LIFE+ financial instrument.

The implementation period of the project is estimated at four years and among its main objectives are:

- The development of a methodology for the determination of the appropriate measures to protect the bird life on new high-speed rail lines.
- The demonstration of the effectiveness of a new design of anti-collision screens against bird collisions, based on the concept of equally spaced tubular screens (PTE in Spanish), designed to divert the flight of birds over the area of risk.
- The increase of knowledge on the interaction between the railway infrastructure and bird life, with the aim of introducing design enhancements to guarantee biodiversity.
- The reduction of the impact of the existing and future high-speed lines, both in the project area and in populations of bird life established in protected areas.



VI. CONNECTING CITIZENS

Generating the maximum social value through sustainable solutions.

FCC Group intends to link the development of its activity with the current demands of society. The Company is committed to maintaining an open attitude to dialogue with different stakeholders in order to consolidate the sustainability of its business. The Company involves citizens and its own employees in the development of sustainable solutions.

The ultimate objective is to generate maximum social value by means of interaction with FCC stakeholders and creating activities of added value. The main lines of action are:

- *To define a sustainable radar, by means of dialogue platforms with the objective of connecting the management of FCC with the trends and needs of future communities.*
- *Promote active sustainability that connects with citizens. This means involving communities in the development and start-up of sustainable solutions.*
- *Promoting the participation of workers, by designing programmes for the development of the "responsible local commitment" concept.*
- *Consolidate the corporate volunteer programme with the collaboration in residential homes in Madrid, Barcelona and Valencia, for elderly, poor and mentally handicapped people.*
- *Maximisation of sustainable value by means of positive impact action that strengthens the public notion of the service that the Company provides.*

Content

1. SOCIAL COMMITMENT AS A DISTINGUISHING FEATURE OF FCC GROUP

The Corporate Responsibility Master Plan defines the framework of action regarding social matters of FCC Group. The main social commitment actions carried out by the Company are supervised and approved by Senior Management.

Within these actions are those relating to the signing of conventions and agreements with universities and other technical centres, the donations and support to institutions and industry associations, as well as sponsorships of a different nature for public-private institutions.

In 2014, FCC Group's activity, aimed at social projects, was centred on education, support for people with special needs, heritage conservation, and the dissemination of art and culture.

The figure for corporate citizenship projects amounted to total of **2,865,585.13 euros.**

Milestones in 2014

- Celebration of the II Week of disability and social occupational integration.
- Support in the United Kingdom to social and environmental campaigns through the WREN foundation.
- Collaboration in vocational training initiatives by the Industrial Waste division such as the 2013 Youth Project in collaboration with INDESPRE and REPACAR.
- FCC Aqualia's prize as runner up at the Territorio y Marketing awards for the educational initiatives developed by the Company in Oviedo.
- Celebration of World Environment Day with the 11th Edition of FCC Aqualia's drawing competition which was a complete success regarding number of participants.
- Development and implementation of a metric to evaluate the social and environmental sustainability in the new construction bids.
- Creation of a "time bank" to devote to the local community, in the work performed by FCC Construcción on the River Mersey bridge, in the United Kingdom.

Challenges in 2015

- Support for new NGO social projects and associations in response to the stakeholders of the water management division.
- Enhancement of support and collaboration with universities.
- Development and promotion of sports activities.
- Preparation of metrics for assessing the impact of the corporate citizenship projects.
- Drafting the volunteer programme "Teachers for a day".
- Producing a basic guide to instruct on how to behave on the FCC work sites with respect to interaction with local communities, taking into account indigenous populations.

1.1. Encouraging the development of local communities

1.1.1. Interrelationship with local communities

In its commitment to local communities, FCC establishes a direct and on-going relationship with all its stakeholders. It is particularly notable in Latin America, where social action programmes are defined, which include issues related to community relations, indigenous populations, the acceptance of the project and the creation of wealth through the employment of local labour.

Citizen Participation Plan in the Port of Callao (Peru)

A notable example of FCC's commitment to the communities in which it operates is the Citizen Participation Plan in the Callao Port construction project in Peru, conducted by the Construction division of FCC, and whose general objectives are described below:

- Comply with current Peruvian legislation on the right of access to information and public consultation.
- Inform the public and stakeholders of the project about the results obtained in the environmental baseline and socio-economic and cultural environment, presenting the analysis and identification of impacts and the Environmental Management Partner strategy.
- Understand, analyse and systematize the main concerns of the population with regard to the possible social, economic, environmental and cultural impact that could be generated from the construction and operation of the project.

Promote harmonious relations between the Company, the State, and the population settlements involved.

1.1.2. Commitment to local employment

In the search for wealth creation for the local community, FCC Construcción has the strategic goal of hiring local professionals in the country where the Company carries out its activity. To meet this commitment, the Company is involved in the culture of the countries in which it is present, creating new local jobs. Respect for, and integration with, the cultures of the communities in which it operates is a maxim of FCC's HR management; some examples are set out below.

Promotion of local employment in Guanacaste, Costa Rica

The Route 1 Expansion project, Section between Canas and Liberia, is located in the Costa Rican province with the second lowest quality of life, where some people even live below the poverty line. In this sense, for FCC Construcción the generation of local employment has been a priority in the development of the project.

The construction division in Costa Rica has generated, in values of monthly averages, employment for 340 people as its own staff, and 380 people employed via direct outsourcing, thus contributing to the generation of income and wealth throughout the province.

Among the direct and indirect jobs generated, work in services related to food and lodging in the area can be highlighted, the work generated by services that cover the needs of personnel that perform tasks directly related to the project or activities that the work itself requires, such as the sources of materials or the sale of supplies, among other things.

Support to local communities in Mexico

FCC supports, through FCC Construcción, different neighbouring communities of the construction project for the new highway between Necaxa and Tihuatlan, which crosses the states of Puebla and Veracruz, forming part of the 283 kilometers Tuxpan Mexico corridor, the main road linking Mexico DF and the Gulf of Mexico.

In addition to helping improve the infrastructure and donating various material goods to improve the quality of life of many communities, FCC Construcción hired a significant number of local workers. During the development of the work, the Company detected an educational gap among the local workforce, for which reason a rapprochement was made with the State Institute for Adult Education (IEEA in Spanish) and with the National Council of Education for Life and Work (CONEVyT in Spanish), to establish a collaboration agreement to assess the productivity and competitiveness of its workers by providing them with basic education, to support the completion of secondary education and to encourage and facilitate enrolment in classes or technical diploma courses.

In order to monitor literacy activities, a recruitment campaign was launched with the workers in order to understand their level of education. This work of adult education carried out by the Company has been recognised by the Governor of the State of Puebla, Mr. Mario Marín Torres, who granted recognition to FCC Construcción for being as a company committed to the education of its employees, issued by CONEVyT.

“Building communities, changing lives” WREN Foundation

Through the independent non-profit making foundation WREN, FCC Environment, provides enormous benefits to communities and the environment in the United Kingdom as a result of land fill operations. As part of the Landfill Communities Fund, FCC Environment can set aside part of the tax levied on each tonne of waste deposited in landfills for the WREN Foundation, which in turn uses the money for financing important social and environmental projects within a radius of 16 kilometres around the landfill site.

WREN’s strategic approach to funding is based on three pillars of activity: community, biodiversity, and heritage. In 2014 WREN funded a total of 431 projects worth £20,819,075 (28,940,678.09 euros).

Priorities for 2014

As part of the commemoration of the beginning of the First World War in August 2014, WREN participated, with £150,000 (208,427.76 euros), in the remodelling of London’s Imperial War Museum. In addition, it also collaborated with £200,000 (277,924.08 euros) in the construction of facilities to accommodate the thousands of visitors every year that come to the National Memorial Arboretum in Staffordshire.

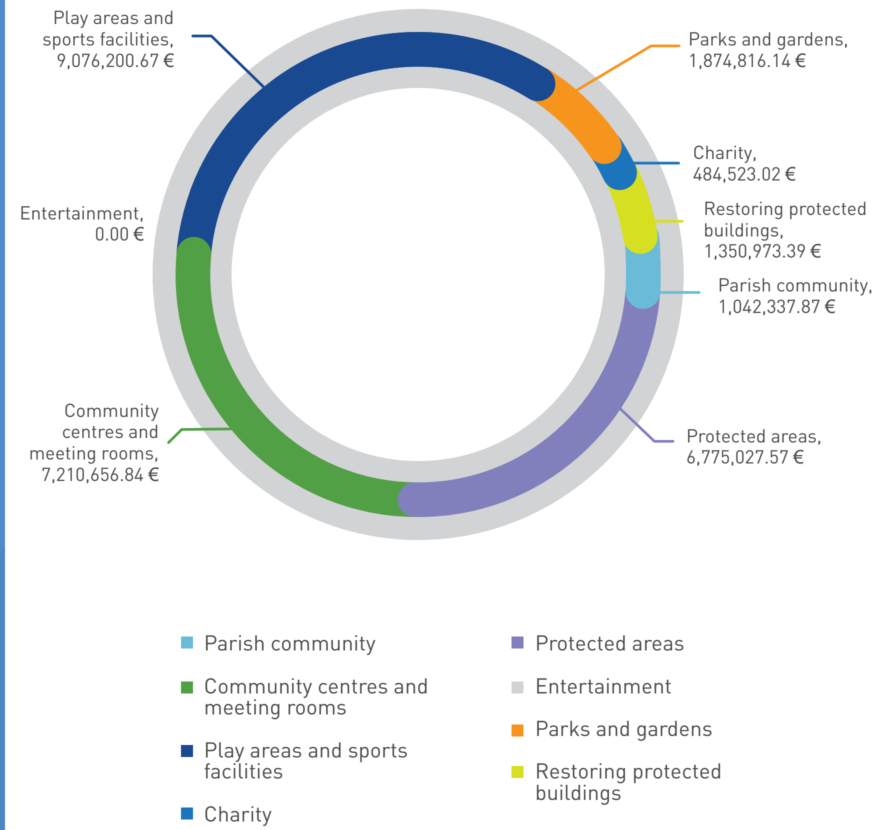
On the other hand, in 2014 the Foundation collaborated in the protection of ecosystems of high natural value. In total, £2,200,000 (3,059,149.98 euros) were invested in six projects, which have been used to buy 360 hectares of land and to protect biodiversity in the United Kingdom.

Through the Biodiversity Action Plan – which helps achieve important government improvement objectives and nature conservation – the Foundation supported 12 large projects totalling £2.6 million (3,613,147.94 euros).

Through the Heritage Fund - whose objective is to preserve some of the most important buildings in the United Kingdom - the Foundation supported a further 17 projects totalling £975,958 (1,356,204.16 euros). Assistance with the aerodrome in Stow Maries in Essex can be highlighted, the largest airport in the First World War, which still exists today.

The Foundation maintains a commitment to improving the lives of communities, which has resulted in an investment of more than £14.6 million (20,302,697.75 euros) for a total of 394 projects for the benefit of the community adjacent to the FCC Environment landfill. These projects include the restoration of the Springfield Centre, Milton Keynes. Also noteworthy is the construction of a centre for practising Parkour in Ellesmere Port, to enable citizens to practice this sport safely. With this project, WREN surpassed the £200 million mark (278 million euros) for financing since 1997.

WREN FUNDING BY PROJECT TYPE IN 2014



1.1.3. Commitment to local recruitment

When hiring suppliers, preference is normally given to local companies. In this sense, in addition to assessing economic factors, proximity to the work in question is taken into account. In this way, the execution of the construction work ensures direct and indirect job creation and has a positive impact on the development of the community and the local economy.

In addition, the Company organises and participates in various events with local suppliers to report on the specific needs of each project. An example of this is the event "Meet the buyer", organised by the Merseylink joint venture, in which FCC Construcción has a 33% participation. The meeting between construction companies and potential suppliers in the area was used for them to become acquainted with the project to be performed and its conditions.

1.2. Platform for dialogue with cities

Within the Corporate Responsibility Master Plan, FCC Group has planned cooperation with cities and communities in order to establish dialogue platforms regarding the eco-efficiency challenges of the municipalities.

Almería 2020

FCC collaborated directly on the launch of the discussion panel with stakeholders in Almería 2020, a platform for dialogue focused on the future of the city.

The work session was attended by prominent figures in the civil and business sectors of Almería, with their views contributing to shaping a citizen perspective to that of the local reality of the city. On the basis of the issues raised and the findings obtained during the meeting, a document was prepared whose lines of guidance are:

- The prioritization of the most relevant issues for clean, smart and inclusive development for Almería 2020.
- Current status of each of the issues dealt with, carrying out documentation and development work on these matters.
- Main lines of action identified by the prescribers as necessary to achieve smart, clean and inclusive development for the Almería 2020.

The main topics addressed by the attendees were: Tourism, Agriculture, the role of the port, the innovative management of water, the concentration of the food and agriculture sector, waste management, the regeneration of the urban centre, Almería as a film set, the arrival of the AVE high-speed train, the airport and urban mobility in Almería.

Based on these themes an analysis and prioritization was carried out of those that proved to be of greater interest, for which a series of principal lines of action was established. In particular, these were: Tourism, food and agriculture sector, port and innovative management of water.

With regard to the last item mentioned, FCC has defended, through its water division, the importance of ensuring the water supply for the future and the need to provide a better use of this asset by reusing it.

To ensure innovative water management, FCC has analysed the following issues with several of the city's stakeholders:

- Management of aquifers.
- Diversification of water sources.
- Waste-water recovery technologies.
- Minimizing system losses.
- Measures of awareness and involvement of the population.

In addition, FCC and the Municipality of Almería are already working on the preliminary plan for the reuse of water that goes to the water treatment plant El Bobar for use in agriculture. The goal is to achieve maximum efficiency of use of the resource that will allow economic and social development in the present time without compromising the ability of future generations to enjoy this resource.

1.3. Sharing knowledge with universities, colleges and business schools

Cooperation within the sphere of education represents a basic line of action with respect to the social commitment activities of FCC Group. Knowledge and experience of employees are the main assets of the project developed by the Company. FCC makes use of this expertise for the development of educational activities aimed at economic, social and cultural development of local communities in which it operates.

Each one of FCC Group's lines of business carries out its own educational activities.

The objective is to share knowledge in the areas in which the Company specialises, fundamentally in the areas of waste management, the fight against climate change, improving air quality, maintenance of parks and gardens, and social corporate responsibility, among others.

MAIN AGREEMENTS AND INITIATIVES IN 2014

Environmental Services

Collaboration with the Design and Processes Engineering Department of the University of Huelva (UHU) in:

- The IISIS project, specifically the management of waste in island environments.
- Measurement of the carbon footprint of the services.
- Technical advisory agreement signed by the Polytechnic University of Valencia (PUV) for the control of pests and diseases in urban trees.

Agreements signed for work experience with:

- The Confederation of Aragon Entrepreneurs (CREA) for the performance of non-labour work experience at its centres in Zaragoza.
- The University of Zaragoza for the performance of work experience.
- Dynamic Zaragoza (Zaragoza Municipal Institute for Employment and Business Development) for the performance of non-labour work experience at work centres.
- The Integrated Centre for Vocational Training in Aguas Nuevas for the performance of non-labour work experience at work centres in the parks and gardens of Albacete.
- The Olot Technical Professional School, the Centre of Financial Studies in Barcelona and the Agustí Serra Institute so that their students can perform work experience in companies.
- The University of Tarragona (Rovira Virgili University) promoting end-of-course projects and collaboration agreements.
- Agreements with the University of Vigo for the training of students and job centre concession at the Barbanza Environmental Complex.
- Innovation and Occupational Training Centres (FIFO) of the Government of Catalonia in Sta. Coloma de Gramenet.

Integrated Water Management

Collaboration in training courses with the following universalities:

- **Rey Juan Carlos University.** First Human Rights Meeting (2014). II Business and Human Rights Meeting.
- **International University of Menéndez Pelayo.** (UIMP). (Santander): IV meeting of "Smart Cities and Innovation in Services" (2014). Meeting entitled "Business and sustainable development, an industrial view within the "Development Agenda Post 2015 and the Private Sector" course.
- **University of Alcalá.** International Congress on Bioelectric Technologies, EU-ISMET 2014.

FCC Aqualia forms part of the board of trustees and the scientific council of IMDEA Water, an institute for the investigation of scientific and social aspects of water for its efficient management in the twenty-first century.

Infrastructures

The Company has collaboration agreements with the following universities in Spain:

- University of Cantabria
- Polytechnic University of Madrid
- Alcalá de Henares University
- Polytechnic University of Valencia
- Alfonso X el Sabio University
- Salamanca University
- Carlos III University
- Madrid European University
- Comillas Pontifical University
- UNED
- University of Castilla la Mancha
- Oviedo University
- Burgos University
- Granada University
- Complutense University of Madrid
- Autonomous University of Madrid

Other collaborations:

- Nebrija University. Preparation of the book "Colombia: a country undergoing accelerated transformation".
- University of Cantabria. IDEAS program (Integration of Companies in the Construction Sector in Teaching at the Santander School of Civil Engineering).
- Ibn Khaldoun of Tiaret University, from the Algerian construction office.

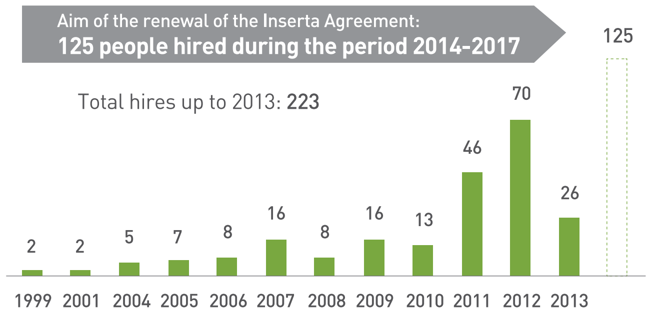
1.4. Supporting groups at risk of social exclusion and with inclusion difficulties

The work of FCC Group in the integration of persons with disabilities is aimed primarily at the area of employment. At FCC we understand the need for human and professional development of every person, understanding that employment is one of the main ways to achieve proper integration of all people.

FCC Group has worked for years with various specialized institutions and professionals to carry out the job of recruiting, hiring and monitoring of persons with disabilities that are incorporated into the organisation, adapting the work posts to the professional profile of the workers and facilitating a standardised integration programme within the Company. The initiatives developed by the Organisation in this area have already been dealt with in the section on "FCC's team of professionals".

Incorporating people with disabilities. Inserta Agreement

In 2014 FCC renewed its commitment to the entity of reference, the ONCE Foundation, with the Inserta Agreement, part of its Programme for Talent. The Agreement covers the incorporation of 125 people with disabilities in the Citizens Services Company over the next three years, thus leading to an overall figure of 350 workers with disabilities in its workforce.



FCC's Special Employment Centre. FCC EQUAL

The real commitment of FCC Group to the integration and inclusion of people with disabilities in the field of employment is demonstrated by the creation of FCC Equal CEE, an organisation dedicated entirely to the management and implementation of Special Employment Centres and to the presentation of auxiliary services for people with disabilities.

This currently accounts for 11 workers. The project has been driven by FCC Medio Ambiente, with the direct involvement of its Chairman, General Manager and the Human Resources management department.

FCC supports third-sector associations in insertion into the labour market

FCC subsidises projects that help and promote social integration, employment and value through recruitment. The Group collaborates with the **Adecco Foundation**, the **Integra Foundation** and the Prevent Foundation, among others. With regard to the latter, the participation in the project "Classroom of entrepreneurs" should be highlighted, which is aimed at entrepreneurs with disabilities. The objective of the project is to help launch or accelerate the development of a recently created business initiative.

Other outstanding initiatives in which FCC Group has been involved in 2014 are the **"Pink Rose Week"** for breast cancer; in which FCC Aqualia joined in the events organised by the Spanish Association Against Cancer (AECC in Spanish) and the Oviedo City Council, as well as seminars on vulnerable people and minimum resources organised by the Ombudsman of Andalusia; in which FCC Aqualia also participated.

At FCC we believe that beyond the management of legislation, ethics and social commitment, there are employment and economic reasons for the effective handling of diversity and disabled persons. Its good management directly affects the efficiency and competitiveness of the Company and the individuals who belong to it, and there are huge business and personal benefits that make the effort worthwhile.

1.5. Evaluating social and environmental sustainability in operations

The 1.5 action programme of FCC's third Corporate Responsibility Master Plan, in its "Citizen Connection" line, establishes the goal that in all public tenders submitted by FCC there will be social and environmental impact metrics with respect to its hiring operations.

In order to comply with this objective, during 2013 FCC Construcción defined a metric to evaluate the social and environmental sustainability of projects in the bidding phase, involving stakeholders in its implementation. Moreover, the systems and technologies department of the infrastructure division developed its own IT tool with which to be able to apply the methodology designed to the new tenders from January 2014 and, in this way, categorise the projects undertaken by FCC Construcción.

In particular, the metric assesses whether the project to be submitted for tender involves the relocation of people or communities, whether it negatively affects any singular element of heritage, whether there is an environmental impact study, or any other figure for predicting and mitigating environmental impacts, whether the work involves increased access to basic utilities (water, communications, electricity, etc.) for the population, whether citizen participation has been included at any point in the process or whether the project has a specific and evident social response.

The classification of the project, defining whether its environmental and social risk is high, average, or minimal, allows the early identification of relevant requirements when submitting, evaluating and auditing the project. Of the 1,045 projects tendered and studied in 2014, 51% presented minimal or zero environmental and social risks, 48% have been associated with an average risk and 1% have a high risk.

This new metric is added to the "Initial Risks' Report", through which it examines the contractual risks, financial risks, insurance and tax risks, technical risks and financial risks of the work. With the result of both analyses, complete information is available on all areas of sustainability, which helps the Company in its decision-making process regarding whether or not to submit the bid.

1.6. Educational action for sustainable development

The Group's Corporate Responsibility Master Plan covers, in its "Citizen Connection" section, a programme of action that enables the participation of FCC employees in the creation of a more sustainable city, from its know-how, and through child-education initiatives.

There are numerous initiatives in this field of environmental education that FCC develops through its various subsidiaries, but due to its tradition and scope we highlight the children's drawing competition that FCC Aqualia has developed for years in different countries.

FCC Aqualia and child awareness for the rational consumption of water

On the occasion of the celebration of World Water Day, and to promote knowledge about the water process and to increase awareness of the need for rational consumption, FCC Aqualia, through its professionals, organised and took part in different activities, competitions and workshops in which representatives of a large number of children participated.

FCC Aqualia carries out relevant dissemination work, especially among the young, on the current importance of innovation projects, for which it organised the drawing competition **"The future of water looks good because you paint it"**, where children convey, in their work, the importance of smart water use through innovation.

Additionally, **the 5th "young-artists" internal drawing competition** was held in 2014, in which the children and grandchildren of employees of FCC Aqualia in Spain and Czech Republic participated. In total 75 children between five and eleven years old conveyed their ideas on the smart use of water.

Furthermore, in 2014, the children's international competition **"Water needs heroes like you"**, whose purpose is to reflect on the importance of making responsible and effective use of water, held its twelfth edition. The contest, the first to be carried out on digital format, and convened on the occasion of World Water Day, invites children to tell an adventure to save the planet. The event, which is a point of reference in the municipalities in which FCC Aqualia provides services, enjoyed the participation of 197 schools and 3,500 children from all over Spain, generating over 30,000 visits and a million hits on the microsite. The content, available in Spanish, Portuguese, Catalan and Galician, was disseminated over 3,000 times through social networks, and generated more than 3,000,000 positive impacts, due to the educational and playful character of the tool.

In parallel the 12th edition of the traditional drawing contest took place, which organised developed by Caltaqua, which manages the integrated water cycle in the Sicilian Province of Caltanissetta. This edition was a great success in terms of participation, with more than 300,000 drawings being received, and with water as a common theme for nearly 2,000 children from 33 schools.

2. CORPORATE VOLUNTEERING

FCC Group and its different business areas encourage the participation of its employees in achieving corporate objectives. The programme is aligned with social projects of the **Esther Koplowitz Foundation**, an organisation of reference in Spain for providing assistance to society's most needy.

The volunteer programme is an opportunity to promote, among employees, the benefits of participating in corporate citizen projects, supporting the Company's mission to create value for society and to contribute to the welfare of people. The volunteer projects are developed in the field of cooperation, environmental education and humanitarian emergencies aid.

Milestones in 2014

- Participation of 29 new volunteers in the programme entitled "Friday's at the Old Peoples Home".
- Organisation of 30 conferences and eight musical events.
- Implementation of the "Summer at the Residence" programme.
- Dissemination in the corporate volunteering good-practice forums in Spain.

Challenges in 2015

- Maintain a frequency of at least bimonthly for FCC volunteers' activities.
- Achieving better results from the volunteering portal through the launching of other solidarity initiatives carried out by FCC employees.
- Enhancement of national dissemination of the FCC Volunteers' programme as a good practice.
- Enhancement of the volunteering portal for the dissemination and coordination of all the volunteer initiatives of the company.
- Implementation of FCC's Solidarity Intervention Unit (SIU) for the voluntary support of Group professionals in disaster situations.

2.1. Corporate volunteer project on cognitive stimulation of people at risk of exclusion "FCC Volunteers, with you we are more"

In 2014, FCC Group continued the volunteer programme, promoting mainly the **"Friday's at the Old Peoples Home"**, an activity whose main objective is to contribute to improving the welfare and quality of life of older people with few resources, through the stimulation of their cognitive state, which is the main cause of their fragility and dependence. To achieve this, different talks and cultural initiatives took place, designed in close collaboration with professionals from the centres responsible for the care of these people.

Through this project FCC managed to increase closeness with its employees, at the same time employees can channelling their social will, and embrace the affective bond between the residents in the centres and the company itself.

The programme has now been running for five editions. The activities are fundamentally of two types: talks on cultural, medical or recreational issues, in which there is a transmission of knowledge from the volunteer to the residents, but which are also conducive to the active participation or debate on the part of residents; and music and dance performances that physically and psychologically stimulate elderly people.

The programme is addressed primarily to residents of old peoples' homes with few resources and the Nuestra Casa day centre in Collado Villalba (Madrid) and the Nostra Casa Residence in FortPienc (Barcelona), both residences built and subsequently donated to the local government by the Esther Koplowitz Foundation. The project therefore reached a total of 347 people.

As a novelty in 2014, the "Summer at the Residence" was launched, to provide continuity to the programme during the summer period, thus responding to the demand of the residents.

FRIDAYS AT THE OLD PEOPLE'S HOME. 2014 PROGRAMME

SPEAKER	POSITION	TITLE OF TALK
Cristina Bergoglio	Architect, painter and writer	"Inner City"
José María Paz Gago	Professor of Literature at the University of La Coruña	Poetic Reading
Julio Pastor Bayón	Director of Informative Relations of the FCC Group	"Director of Informative Relations of the FCC Group"
Julio Senador-Gómez Odériz	Civil Engineer	"Mus and the virtue of eutropelia"
Lola Alcaraz	Head of Protocol of the French Embassy	"Rituals, culture and traditions in different countries for when you host people"
Nuria García Herguedas	English philologist and nurse	"Men's and women's constitutions"
Amaya and Alejandro Seco	FCC Group	"Almost everything in life is a question of attitude"
Charo Serrano	FCC Group	"Olive oil: applications in cosmetics" "St. James' Path: from Roncesvalles to Logroño"
Juana Crespo	Head of internal communications for FCC	"Major popular festivals in Spain".
Pilar Ferrer	Journalist for the newspaper La Razon	"The figure of the King"
Carlos Neville	Professional photographer. Expert in sound and image.	"Keys to building a boat"
Manuel Oreja Arburúa	Consultant	"Current view of the economic crisis"
Esther Pérez and her son Antonio	Executive secretary of the FCC Group	"The Mountain area of Madrid"

SPEAKER	POSITION	TITLE OF TALK
Ramón Tamames	Jean Monnet Chair of the EU, member of the Rome Club and Royal Academy of Moral and Political Sciences.	"The Green Planet: Challenges and Responses"
José María Merino	Deputy HR Director at FCC	"Sayings in Spain"
Cristina García	Head of prevention in FCC Construcción	"Review of the best portraits of the Virgin in the Prado Museum collections and concert along with her fellow parishioners"
Antonio Pérez	Central Area Director of FCC Construcción	"The Harley Davidson World"
Miguel Jurado and his brother Enrique Jurado	General Manager Director of FCC Construcción and renowned coach in the business world	"Making the impossible possible". Recipes for not losing happiness or emotional stability and to overcome fear
Jazz Concert with Javier Elorrieta and his Silver Jazz Quartet	Creator and artist, film maker, musician, and theatrical producer	Jazz Concert
Javier López-Galiacho	Corporate responsibility director of FCC and president of the Friends of the Historic Theatres in Spain (AMIThE in Spanish)	History of the genre of the Spanish Music Magazine. "I'll wait for you in The Parallel"
Celso Arango	Professor of Psychiatry	"The challenges of severe mental illness in current Spanish society"
Hermana Mariela Gómez	Hermana de la Fundación Sister of the PRODEIN missionary foundation, founded by missionaries of Lumen Dei	"Work of the missionaries at the PRODEIN Foundation"

SPEAKER	POSITION	TITLE OF TALK
Los Mariachis de Chihuahua		Mexican folk music concert
Alicia Casasolas	Health Inspector for the Aragon Autonomous Region	"Healthy eating in the third age"
Miguel Ferrer Ferrer	Tenor	Recital of Zarzuela Romanzas and a Song review
Asociación castiza "Rompe y Rasga"		Madrid, Madrid, Madrid
Amador Cano and Ricardo Sánchez Moya	Singer and guitarist	Flamenco lives on
Ruben Lobato and Miguel	Guitarist and singer	Guitar and folk music
Aragon Centre of Barcelona	Dance space	Aragon Lives on
Marta Almajano and Ernesto Mayhuire	Soprano and professor of Historic Folk Music of the Higher College of Music in Catalunya and guitarist and teacher at the Conservatory of Biel/Bienne, Switzerland	"Songs, waltzes and minuets"
Vicente Sánchez	General Secretary of the Construction and Services' Trade Union	"The mountain as a way of life"
José Luis López García	Professor and Chair of the Faculty of Agricultural Engineers at the Polytechnic University of Madrid.	"The benefits of oil, wine and honey"
Estrella Pérez Segovia	Guide at the National Museum of Romanticism	"Queen Isabel II of Spain (the one with sad destinations)"

SPEAKER	POSITION	TITLE OF TALK
Luis Miguel Esteban	Pharmacist	"Medication in the elderly and its benefits"
Commemorative event of the thirteenth anniversary of the inauguration of the Nuestra Casa Residence		
Tomás González Villoslada		"The beginning of the currency in Spain" and "The Fernán Núñez Palace in Madrid"

3. INTERACTION WITH STAKEHOLDERS

The **dialogue strategy** with the stakeholders of FCC Group is promoted from all lines of business within the Company. In a citizen services company such as FCC Group, communication with stakeholders should be on-going, in order to detect and meet the needs of the societies in which we operate and identify their main concerns.

The Company's solid strategy of dialogue and cooperation, allows a very close relationship to be kept with its stakeholders by means of different communication platforms. FCC Group considers participation in initiatives that enable better visibility and knowledge of different activities and corporate results to be a priority.

The Company has various channels of communication that allow it to propose, listen and carry out initiatives that respond to requests made by third parties. In recent years the corporate website has been consolidated as the most used channel through which to post information to its different stakeholders. Likewise, the divisions of the Group post key information through **consultation sessions, e-mails, bulletins** and **magazines, sectorial publications** and **end-of-work surveys**, among other things.

Milestones in 2014

- Definition of the FCC Aqualia dialogue strategy with its stakeholders.
- Continuation of the social project for the responsible management of the La Valdeza communities, 19 April, in Panama by FCC Construcción.
- Modification of the evaluation of suppliers, including criteria for social and human rights.
- Internationalise the communication channels of FCC Construcción and review and improve same.

Challenges in 2015

- Definition of the activity of the Company and an increase in the information reported in relation to the social performance of FCC Aqualia.
- Continue with the development of initiatives by FCC Aqualia to improve water quality.
- Implementation of actions to facilitate professional development and enhance the customer experience at FCC Aqualia.
- Commissioning of new measures to ensure the equality and diversity of FCC Aqualia, as well as implementing improvement actions in relation to occupational health.
- Work with local administrations to understand the needs of the cities of the future, and promote dialogues and projects regarding same.
- Develop a guide that indicates what should be contributed and how the administrators of the new Intranet should undertake their role.
- Introduce a mechanism for collecting information about the negative impacts of the supply chain (supplier audits).

3.1. Shareholders and investors

The Company website has a section for shareholders and investors, which in 2014 received a monthly average of 45,844 hits, with information about the economic performance of the Company, stock market and financial information, as well as an investor's agenda for providing notifications of relevant events. FCC Group has a Shareholder Services Office.

In 2014, the Stock Market and Investor Relations department held 522 meetings with investors. 46% of them have taken place with investors in the United Kingdom, 23% in the United States and the remaining 31%, in the main European markets.

3.2. Employees

3.2.1. Internal Communication

The establishment of effective internal communications is a priority objective of the Human Resources team. The Department of Communications and Corporate Responsibility work to establish new and powerful internal channels and to achieve a corporate culture based on common and robust behaviours and values as a sign of identity, able to mobilize, motivate and engage people who make up the team of FCC professionals.

Moreover, the main purpose of the Internal Communications team is in driving communication actions and specific services that are deployed internally, and, in turn, the First Communication Plan of the Human Resources Department. From the team of internal communication the effective approach to information of interest to workers is also promoted, with special emphasis on information, messages, policies and strategies that are directly related to the management of the Company and the professional environment of the people. The Human Resources Strategic Plan aims to promote communication that will help to encourage productivity and professional development of professionals in the Company.

Celebration of the first Technical Construction Conference 2014

During 2014, FCC Construcción held its first technical conferences, an event which was attended by over 125 managers, as representatives of all areas of business at the international level and FCC Construcción support services.

At the conferences the past, present and future situations of the Company were analysed, and different experiences were shared. The event was a transparency communicative event based on the need to share information about the current situation of the Company, the necessary change process, and FCC Construcción's strategy. The event enjoyed the presence and participation of the vice president and CEO of FCC.

3.2.2. Tools for dialogue with the people who make up FCC

The main communication tool with employees that brings together FCC professionals is the FCC ONE corporate Intranet. Therefore, in order to meet the needs of the Company's human capital in a more personalised way, the employees can use the **Employee Website**, with specific content on **the internal communication** channels as additional tools to facilitate dialogue and aligning positions between employees and the Company.

Furthermore, FCC Group holds **periodic meetings** aimed at informing employees face-to-face about different matters.

FCC Group also keeps its employees informed via the publication of the bi-monthly on-line magazine **"Communication Network"**, which received an average of 20,143 visits in 2014 and is available in twelve languages. For FCC it is essential that all relevant information related to recent events that have occurred in the Group reaches all employees, both at national and international level. For this reason, the online channel is supported by the poster version that, after its necessary logistics' task, is accessible to the thousands of employees of the Group.

Furthermore, FCC Group carried out intense work with regard to internal communication campaigns. Among the major campaigns carried out in 2014 are the following:

Campaigns	Description
International Women's Day	The campaign was translated into 14 languages and its dissemination is carried out through all kinds of media such as the internal magazine, photographic exhibits, posters, etc.
Campaign against gender-based violence	Made to coincide with the International Day for the Irradiation of Violence against Women. For this campaign messages were disseminated via electronic media and on the corporate Intranet, through an informative video. It is important to highlight the high involvement of employees who showed their support through a multitude of messages of rejection of, and being alert to, gender-based violence. The campaign was awarded the "The 100 best ideas of the year" prize from the Actualidad Económica magazine.
Solidarity Campaign "Nobody without shoes"	Aimed at collecting footwear for people experiencing social exclusion.
International Day of Persons with Disabilities	Held on December 3 and translated into 14 languages.
"Operation Kilo"	Held on December 3 and translated into 14 languages. Organised for the donation of basic needs food to the Food Bank.
"Do you like sport"	Campaign focused on the dissemination and knowledge among employees of the FCC Social Network of sport, framed within the healthy Company project.
Internal Mobility Campaign	Campaign to promote the new policy of internal mobility and dissemination of the internal mobility portal "FCC in the World".
Campaign on the Code of Ethics	Awareness campaign on the Compliance System for FCC's Code of Ethics.
"War on paper" Campaign	Organised to increase environmental awareness and cost optimization for sustainability. With this campaign, FCC encourages its employees to save paper.

3.2.3. Respect and support for labour rights

The complexity in the management and protection of labour rights for the Group has different implications according to how they are considered in Spain and the rest of the world.

It should be noted that in Spain the total workforce of FCC Group is covered by a collective bargaining agreement. This type of labour regulation is the predominant form in the organisation as a whole at international level, without prejudice to other forms of regulation.

At international level, for the sake of protecting the rights of its workforce, FCC Group is a signatory to the most important standards in the field of human rights.

- The Company adheres to the United Nations Global Compact, and includes the main guiding principles of the OECD Guidelines for Multinational Enterprises.
- In countries which have not ratified the conventions of the ILO, FCC Group has proceeded with the negotiation of agreements with the International Federation of Construction and Wood Workers (BWINT in Spanish).
- The Company has made commitments within the framework of the Universal Declaration of Human Rights, the Declaration of the Rights of the Child and various ILO conventions.

3.3. Suppliers and contractors

Looking after the relationship with suppliers and contractors is crucial in order to ensure the ethical commitments made by FCC Group to this regard. Using **training sessions and awareness campaigns** FCC tries to align the behaviour of its suppliers and subcontractors with the policies and standards of the Company.

Suppliers' commitment to the FCC Code of Ethics and the Global Compact

FCC establishes the requirement that all the suppliers and subcontractors understand and respect the content of FCC's Code of Ethics in their relationship with the companies of the Group. The suppliers should also make the commitment to fulfil the 10 principles of the United Nations Global Compact, which FCC joined in 2007.

3.4. Public administrations and regulators

FCC Group is always available to public administrations and legislators in order to collaborate and make use of its extensive experience in the sectors in which it operates. The nature of the Company's activities and the impact that they have on the areas in which they are performed means that FCC frequently undertakes self-regulation initiatives and participates in the drafting of legislation relating to its sphere of operation. All the Group's business areas have implemented voluntary measures with the objective of maintaining production and service standards in the different areas of activity, as well as in the sphere of sustainability.

A highlight of 2014 was the organisation and participation in the discussion panel organised by FCC to talk about the challenges facing Almería until the year 2020, which is mentioned in the first paragraph of this section on Connecting Citizens ("social commitment as a symbol of identity in FCC Group").

3.5. Clients

FCC Group's direct clients are government, private institutions and individuals. The objective of the Organisation is none other than to satisfy the needs and demands established by the end users of the products and services that it carries out.

The quality management systems implemented in all FCC Group's lines of business, based on prestigious international standards such as the UNE EN ISO 9001, are incorporated as an aspect with which to evaluate client management.

With the objective of identifying possible areas of improvement and achieving the highest levels of quality and reliability in the provision of its products and services, FCC Group implements different communication channels for clients by business area (telephone, email, fax, internet, letters, invoices, or face-to-face meetings or visits with the commercial departments).

Environmental Services

FCC's Environment Division has drafted a series of procedures for reporting information. The objective is to ensure the reliability of the systems used in order to express, qualitatively and quantitatively, the significant values of the environmental and social performance of the sustainability policy of the organisation that it communicates to its clients. All of which contributes to strengthening the monitoring and control plan for the reliability and quality of published information.

Integrated Water Management

Customer care is an essential part of the service provided by FCC Aqualia. The Company's policy is to offer personalized and close attention according to the needs of each customer. For this reason, it makes available the tools and resources needed to provide a flexible, quick, simple and effective service to each customer. The main channels of communication of FCC Aqualia are:

Aqualia contact. Phone channel that is born with the aim of applying the most advanced technology in communications for customer services, allowing their needs to be attended to at any time and place. It is identified as a modern service, created to respond to a constantly evolving society.

Aqualia online. A channel that allows FCC Aqualia customers to perform all their processes in a simple, flexible and confidential manner 24 hours a day, 365 days a year. Through the FCC Aqualia website, it is possible to perform procedures, modify personal data, consult the tariffs applied, request electronic invoices, facilitate meter readings, pay bills, submit claims or request the cancellation of supply, among other processes.

Both channels have a management system that ensures the security of customer information endorsed by an AENOR certificate in accordance with UNE-ISO 270001: 2007. In addition, with the purpose of ensuring the protection of users' data, FCC Aqualia uses the "e-privacy" tool.

FCC Construcción

FCC Construcción has a client interlocutor responsible for raising points of collaboration and addressing any suggestions received, as well as discussing the information gathered in meetings with customers, and will subsequently provide information on the actions taken as a result of their suggestions.

FCC live is an on-line publication that has three sections: video news, video report and a newsletter. Its design has a friendly format, which allows you to update the content generated according to the needs of the business for a rapid dissemination of information. This channel brings the Company closer to its stakeholders and generates a positive attitude toward FCC Construcción, its activities and its professionals.

FCC City is an on-line channel that allows two forms of browsing: a virtual city, and a map of the world in which more than 120 unique building works organised by continent and country are located.

3.5.1. Customer satisfaction

FCC Group carries out customer satisfaction surveys in different business areas with the objective of becoming aware of the opinion and degree of satisfaction of customers with regard to projects carried out, as well as to identify the most important areas of improvement for future projects.

The FCC Group's diversity of activities and types of customer means that measuring satisfaction is carried out in a decentralised way so that each line of business has its own measuring methodology and periodicity. Based on the defined materiality for the Group's business, FCC Aqualia, as a consumers and users manager, is the Group's business that most directly manages dialogue and the measuring of satisfaction of stakeholders.

Through the Water Division, FCC conducts biannual end customer and institutional customer satisfaction surveys. The latest ones took place in 2014.

The survey on end customers has been carried out by phone and online, with a questionnaire with open and closed questions. In total there have been 3,945 surveys (1,925 by phone and 2,020 on line).

In the analysis of the results we get a unique value that measures the overall satisfaction of the customers using a multivariate analysis. This value is calculated on the basis of:

- Valuations that clients give to the various aspects measured in the survey
- The impact or weight that these aspects have on the composition of the overall assessment given by the user

The overall assessment of institutional clients is 22.2 points, representing a decline of 2.9 points compared with 2012. However, the satisfaction that the interviewees have shown with regard to the quality of service in the year 2014 recorded a 69.8 % of positive ratings of the respondents.

The satisfaction study of institutional clients has involved 22 individual interviews with different managers of various customers of the Group.

The end customer satisfaction survey yields results similar to those of 2012. The valuation has reached 3.91 points from a total of 5, compared to 3.90 obtained in 2012.

Customer satisfaction as a priority for FCC Aqualia

Through **Aqualia Online** and **Aqualia Contact**, FCC Aqualia is able to respond to its customers based on strict quality standards. Both channels have a management system that ensures the security of client information from three perspectives: availability, integrity and confidentiality. The system has been audited by AENOR in accordance with UNE-ISO 27001:2007 which strengthens the Company's strategy of excellence with regard to its customer services.

Aquarating assesses the quality of the Integrated Water Management

Aquarating is a scoring system to comprehensively evaluate the performance of water and sanitation service providers. The programme is in its developments phase and is being developed by the Inter-American Development Bank, (IDB), in collaboration with the International Water Association (IWA). The system offers the following results:

- An overall score of the provider.
- Detailed scores with respect to the following aspects: access to the Service, Service Quality, Operational Efficiency, Efficiency in Planning and Execution of Investments, Efficiency in Business Management, Financial Sustainability, Environmental Sustainability and Corporate Governance.
- An evaluation of the reliability of requested information.
- Guidelines for improving management practices.

Aquarating provides important benefits for both direct clients of companies and for the end consumer. For the former, the system assumes important stimuli for providers to maintain or improve their performance and direct incentives, technical assistance and financing of same, in accordance with their level of performance. For the end user it is an opportunity to obtain better services in access to quality, efficiency, sustainability and transparency.

VII. HOW THE REPORT WAS PREPARED

(G4-18 b)

This FCC Group Corporate Social Responsibility Report (CSR) provides information regarding the management of key aspects of the Company and its business during 2014, as well as progress, activities and indicators framed in the strategic concepts defined in the 2012-2014 Corporate Responsibility Master Plan. In order to understand the evolution of corporate responsibility at FCC over the years, we recommend that the reader visits the FCC website, which contains information on Corporate Responsibility management in the Group and its subsidiaries.

The report contains an introduction to the profile and FCC's main financial figures, as well as information regarding milestones and objectives in each of the Group's three lines of business: Infrastructure, Environmental Services and Water; and the information about the corporate responsibility strategy, and programmes of action, in accordance with the three strategic lines of the Corporate Responsibility Master Plan (exemplary behaviour, smart services and connecting citizens). Each of the three chapters contains a summary of the main policies and initiatives in force.

Materiality Study

The first step in the preparation of the report was the materiality, the undertaking of which consisted of a review of the study carried out in the previous year on the basis of the impacts of the various activities of the group as well as the geographical areas of operation. In particular the issues incorporated in matrices of materiality by business have been reviewed. In parallel a process of validation has been performed through external interviews with five prescribers in the field of investment and business analysis.

Process of determining material matters for FCC Group

(G4-18 a) (G4-24)

The materiality study carried out for the preparation of the Corporate Social Responsibility Report 2013 was based on the 46 specific aspects defined by the Global Reporting Initiative in its "Guide for the preparation of Sustainability Reports G4", applied to the sectors of infrastructure, water and Environmental Services in which the Company works. These aspects were classified in the three axes of the Master Plan: Connecting citizens, Exemplary behaviour and Smart services, and by line of business, with the aim of identifying the relevant aspects of the business aligned with the strategic lines of the group in the field of sustainability.

In order to determine the relevance, a relevance analysis was carried out, for which a quantitative evaluation was performed (number and extent of references made) of the different aspects defined in the G4 Guideline of the Global Reporting Initiative in the public information of the prescribers relevant to FCC, and which cover key agents of the sector in which the Company is involved, as well as key international organisations and institutions in the field of sustainability.

- On matters of sustainability: G4 Global Reporting Initiative Guideline, construction sector questionnaire of the Dow Jones Sustainability Index.
- International organisations: OECD and the United Nations Global Compact.
- On matters concerning the sector: International Project Finance, Fundación Laboral de la Construcción, TECNIBERIA, International Water Association, AQUAESPAÑA, Water UK, ASEGRE, International Solid Waste Association, Ecoembes, Aselip, ASEJA, ASPEL and Repacar.

(G4-24)

The maturity was determined through the analysis of annual and sustainability reports of the main competitors of FCC, which allows the sustainability issues relevant to the competitors to be identified and determines their importance and level of development on the basis of the degree of care that they receive in these reports.

As a result of the previous phases, some matrices were obtained that determined the prioritisation of subjects based on the results obtained in the relevance and maturity analysis, and broken down according to the business and strategic line of the Corporate Responsibility Master Plan.

For the continuation of the materiality study a review has been carried out of industry trends in the medium and long term for each of the businesses, infrastructure, water and environmental services, all in accordance with the sources of reference for the industry. The review of the matters contained in the matrices has been made on the basis of the following reports: Global Risk 2015 (World Economic Forum) and

World Markets Report, Emerging Trends in 2014 (KPMG), Water Outlook to 2050 (OCDE) and ISS 2020 Vision.

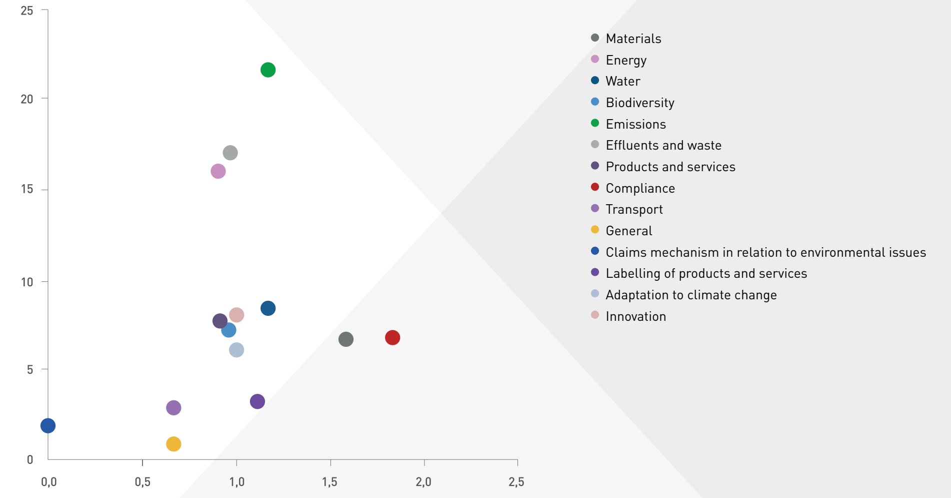
In addition it has undertaken a process of external validation, carried out through interviews. For this purpose, prescribers from the field of investment have been selected as well as financial and extra-financial analyses.

Both processes have allowed to increase the number of material issues and the updating of the prioritization of the material issues of FCC Group by business line and by dimension of the Master Plan.

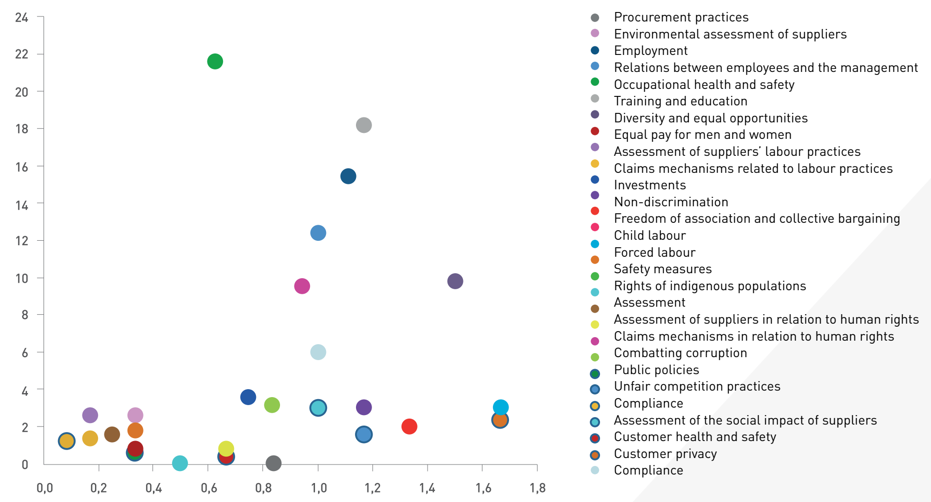
Matrices by business line

ENVIRONMENTAL SERVICES

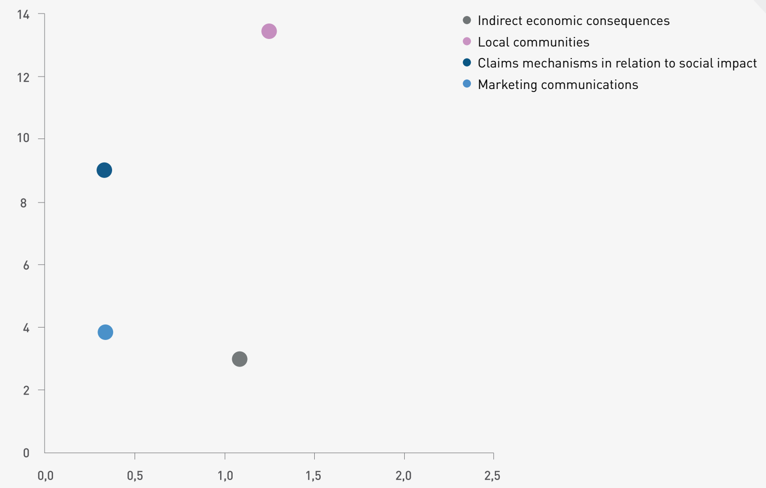
Smart Services



Exemplary behaviour

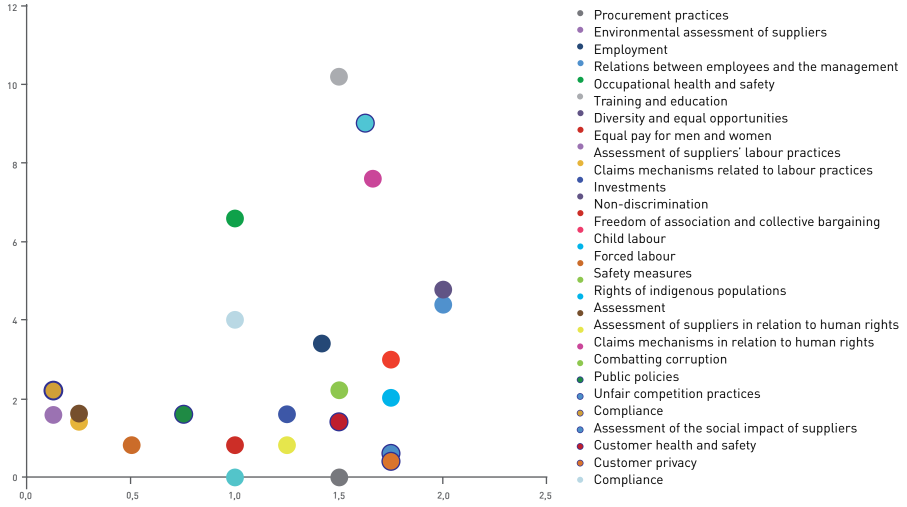


Connecting citizens

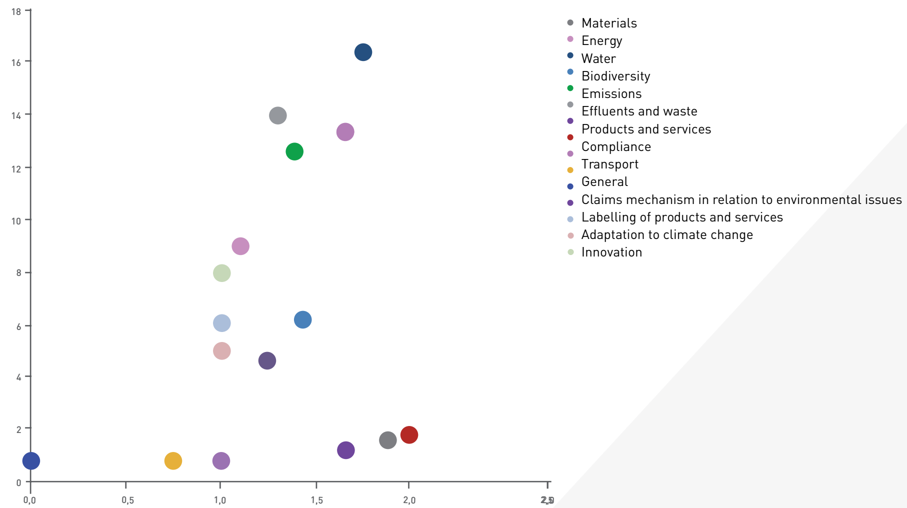


WATER MANAGEMENT

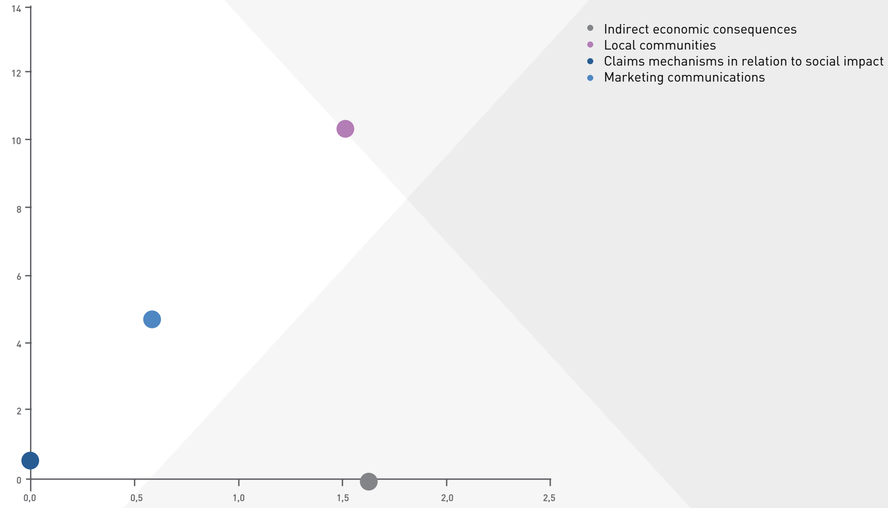
Exemplary behaviour



Smart Services



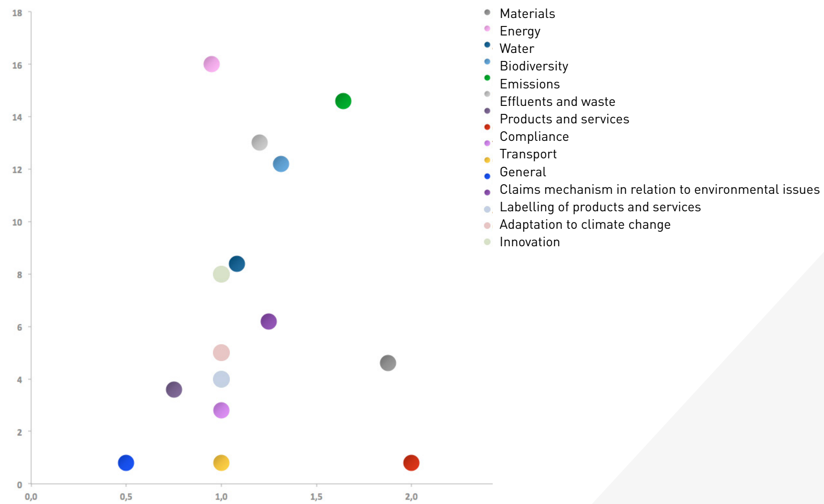
Connecting citizens



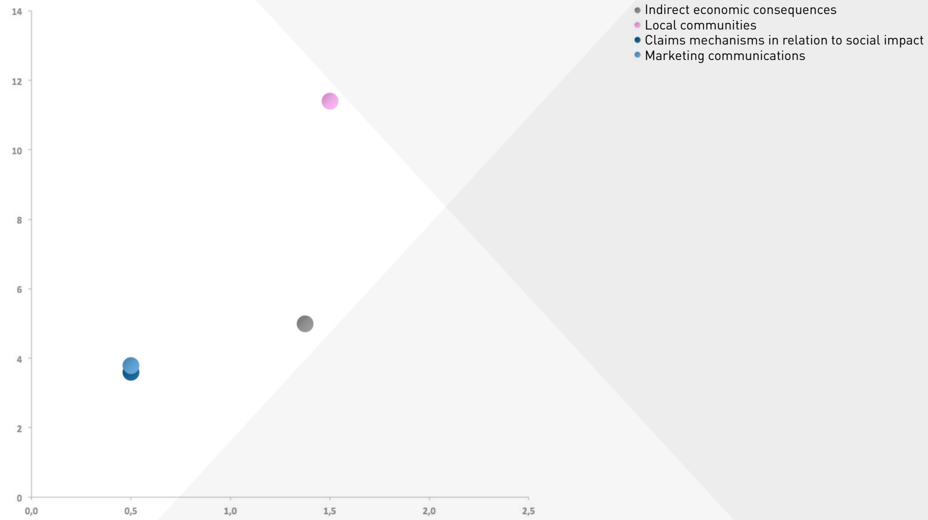
INFRASTRUCTURES

Exemplary behaviour

Smart Services



Connecting citizens



LIST OF NEW ISSUES

GRI category	Subject	Priority level
EN	Innovation	8%
EN	Adaptation to climate change	6%
EC	Supply chains	6%
EN	Collapse of essential infrastructure	5%

*GRI category: The Global Reporting Initiative (GRI) nomenclature for each category. EN (environment) y EC (economic).

Results of the materiality analysis 2014

Master Plan	G4 Aspects	FCC Medio Ambiente	FCC Aqualia	FCC Construcción	Scope of the impact of the aspect
Exemplary behaviour	Training and education	•	•	•	Employees
	Diversity and equality of opportunities	•	•	•	Employees
	Employment	•	-	•	Employees
	Fight against corruption	-	•	•	Employees, suppliers and contractors, and shareholders and investors
	Relationship between workers and directors	•	•	-	Employees
	Customer health and safety	-	•	-	Clients
	Health and safety at work	•	-	•	Employees
	Supply Chains	•	•	•	-
Smart Services	Water	-	•	•	-
	Biodiversity	-	•	•	-
	Compliance	•	-	-	-
	Effluents and waste	•	•	•	-
	Emissions	•	•	•	-
	Energy	•	•	•	-
	Materials	•		-	-
	Adaptation to Climate Change	•	•	•	-
	Collapse of critical infrastructure	-	•	•	-
	Innovation	-	•	•	-
Connecting citizens	Marketing communications	-	•	-	-
	Local communities	•	•	•	-
	Indirect economic consequences	•	-	•	-

Scope of the 2014 Corporate Social Responsibility Report (G4-18 b); (G4-22)

The information parameter of this report coincides with the financial consolidation of the Group, and reflects the activities of the Company in 2014. Specifically, the extent of the information provided in this report, both regarding the sections on Connecting Citizens and Exemplary Behaviour, corresponds to the scope of integration which is used for financial consolidation, according to which, data is considered from 100% of the participating companies over which FCC has management control, regardless of their holding.

In the case of joint ventures, the value of those in which it controls the operations is included, applying its percentage of ownership as appropriate.

FCC Group, characterised for its diverse geography and activities, is working to extend the scope of information to all companies making up the group. The relationship of FCC Group companies as of 31 December 2014, and a description of each, appears in the annexes of the annual accounts.

Quality and reliability of the information disclosed (G4-18 b)

This report intends to provide public awareness regarding issues and indicators that have been identified as tangible, enabling the expectations of stakeholders of the Group to be met, with information being duly provided on decision making.

The drafting process has been guided by the principles established by the Global Reporting Initiative (GRI) in its G4 Guidelines in order to reflect quality information, and it includes the additional information required by the supplement "Construction and Real Estate", which contains specific indicators for companies in the construction and real estate sector, which must be followed by all companies that want to produce a report in accordance with G4 at its comprehensive level, granted by the new GRI guide to those reports that follow its recommendations. This Corporate Responsibility Report for the year 2014 offers a balanced, comparable, accurate, reliable, regular (annual) and clear perspective on the economic, social and environmental performance of the Group.

The Corporate Responsibility Report 2014 of FCC Group has been checked by KPMG in accordance with the ISAE 3000 international standard. The scope, description of the work and conclusions of said audit can be found in the section entitled Letter of Verification.

United Nations Global Compact

In 2014, FCC Group continued to strongly support the Ten Principles of the Global Compact, principles relating to human rights, labour rights, environmental protection and corruption. The Group has been associated with the Spanish Global Compact Association (ASEPAM) since 2007, whose main objective is to support, promote and disseminate the incorporation of the Ten Principles in the strategic vision of companies.

To show its strong support for the Ten Principles of the Global Compact, FCC Group includes a clause in all contracts with suppliers, approved by the Management Committee, which requires all suppliers and contractors to meet the FCC Group's Code of Ethics and comply with the Ten Principles of the Global Compact. This clause is a guarantee for the Group that its suppliers are adhering to these principles in their own activities.

Compliance with the reference standards

This report has been prepared, for the second consecutive year, in accordance with the Global Reporting Initiative's (GRI) sustainable reporting guidelines, as amended on March 2013 (entitled G4), as well as in accordance with the AA1000 APS Accountability Standard (version 2008). It has also taken into account the sectorial supplement of the GRI for the construction sector.

Application of the AA1000 APS Standard in the preparation of this report: (G4-18 b)

- Inclusiveness. FCC Group and each one of its businesses regularly conduct consultations with its stakeholders. It is therefore particularly relevant that the information contained in this report is in accordance with this principle.

- Relevance: the present report is structured according to the three axes of the Master Plan. The design of said Master Plan was carried out by means of an analysis of sustainable trends that should be met by FCC Group as a citizen services company. This trend analysis was based on reports from sources of reference such as World Economic Forum, Slim cities: sustainable buildings; Smart Energy; Water Resources Group; and the special 2011 report of the IPCC Special Report on Renewable Energy Sources and Climate Change Mitigation. Subsequently, in a round of internal interviews and with a panel of experts, the relevance of these trends was consulted as well as the material aspects that the Company should take into account according to its activity.

- Response capability: FCC Group has designed a series of initiatives to respond to the challenges that had been identified as key issues for the Company. The Group's response to the challenge of combining its activities with developing sustainable cities of the future aims to better serve its citizens, putting people of the Group at the heart of the strategy and putting greater emphasis on the sustainability of the supply chain.

Supplementary Information

In order to increase the information relating to sustainability of the three business of the Group, and if further information should be required, the reader is invited to visit its corporate website, or read the corresponding sustainability reports, which address each activity in specific detail.

In addition, FCC Group publishes an Annual Report, an annual Corporate Governance Report and an annual report on Directors remuneration, for the financial year 2014, available on the corporate website.

VIII. PERFORMANCE INDICATORS OF FCC GROUP 2014

Economic indicators	Units	2014	2013	2012	Externally verified
Net business turnover	Millions of euros	6,334,066	6,750.0	7,429.3	
Gross operating profit EBITDA	Millions of euros	804.0	717.3	820.3	
Net operating profit. EBIT	Millions of euros	345.6	307.7	147.4	
Cash flow operations	Millions of euros	608.9	774.8	1,159.0	
Cash flow investments	Millions of euros	(167.2)	(411.5)	(227.2)	
Project portfolio	Millions of euros	32,996.5	32,865.1	30,896.4	
Generated economic value	Thousands of euros	6,729,942	7,024,118	7,845,554	
Economic value distributed by the FCC Group	Thousands of euros	6,281,674	6,909,491	7,288,996	
Procurements (suppliers of materials and services)	Thousands of euros	2,220,917	2,604,551	2,782,029	
Salary expenses	Thousands of euros	1,916,696	2,005,001	2,154,928	
Corporate income tax	Thousands of euros	(64,171)	(135,376)	(37,956)	
Interest and exchange rates	Thousands of euros	549,156	498,613	512,921	
Dividends paid to shareholders	Thousands of euros	0	0	0	
Economic contribution to corporate citizenship.	Thousands of euros	2,866	4,017	4,500	
Significant financial assistance received from governments (subsidies)	Thousands of euros	239,271	228,728	220,239	
Activity certified by ISO 9001	%	85.42	83.8	81.1	
Purchases to suppliers	Thousands of euros	1,394,923	1,610,135	916,550	

Ethics and integrity	Units	2014	2013	2012	Externally verified
Communications received through the Code of Ethics channel	Nº	21	22	23	

Efficiency and technology	Units	2014	2013	2012	Externally verified
Investment in R&D&i	Thousands of euros	14,444	18,437	28,474	✓
Activities with environmental certification (e.g.: ISO 14001)	%	81.90	77.5	78	
SO_2 emissions	kg	2,396,675	2,060,00	2,532,655	✓
NOx emissions	kg	7,850,165	10,885,000	17,407,693	✓
Particulate emissions	kg	1,873,430	2,254,000	2,557,722	✓
Materials of renewable origin	tonnes	1,426,634	1,206,724	8,815,606	
Materials of recycling origin	tonnes	9,383,468.04	14,098,240	9,679,289	
Certified materials	tonnes	4,002,548	4,097,668	701,601	

Efficiency and technology	Units	2014	2013	2012	Externally verified
Consumption of water	m^3	12,853,556	9,919,405	14,084,342	✓
Consumption of recycled water	m^3	168,992	610,012	610,372.94	✓
Consumption pertaining to surface water	m^3	1,128,899	1,294,226	2,987,563	✓
Consumption pertaining to sub-surface water	m^3	3,049,297.1	1,627,473	3,828,606	✓
Consumption pertaining to municipal supply	m^3	6,708,162	3,563,204	5,081,542	✓
Consumption pertaining to other sources	m^3	1,850,858	1,462,230	1,576,258	✓
Discharged waste water	m^3	ND(*)	560,136,681	504,952,528	
Purified waste water	%	ND(*)	95.0	92.6	
Capture of water to be managed	m^3	843,979,880	763,751,430	690,441,069	
Percentage of sub-surface water captured	%	17	29	35.8%	
Percentage of surface water captured	%	55	72	60.8%	
Percentage of desalinated water captured	%	27	1.5	1.4%	
Percentage of other captured elements	%	1	1.9	1.9%	
Total waste generated	tonnes	7,409,264	5,417,813	5,551,115	✓
Hazardous waste generated	tonnes	198,545	85,559	139,800	✓
Non-hazardous waste managed	tonnes	7,210,719	5,332,369	5,411,315	✓
Waste managed	tonnes	16,053,302	17,091,361	ND	
Waste collected	tonnes	6,276,488	6,692,654	10,384,776	
Urban waste	tonnes	5,257,941	5,382,369	8,105,721	
Hazardous industrial waste	tonnes	279,546	432,931	694,569	
Non-hazardous industrial waste	tonnes	739,000	877,354	1,584,486	
Waste admitted in FCC centres	tonnes	9,776,814	10,398,707	16,710,490	
Urban waste	tonnes	4,571,114	5,051,636	10,983,933	
Hazardous industrial waste	tonnes	284,634	357,531	172,637	
Non-hazardous industrial waste	tonnes	4,921,066	4,989,540	5,553,920	
Treatment given to hazardous wastes					
Recovery	%	28	26	27	
Stabilisation	%	55	41	28	
Transferred to an end manager/other destinations	%	17	20	45	
Treatment given to non-hazardous wastes	tonnes				
Recovery	%	30	13	26	
Elimination in controlled landfill	%	54	81	66	
Transferred to an end manager	%	16	6	7	

Energy and climate change[3]	Units	2014	2013	2012	Externally verified
Total GHG emissions	t CO_2eq	9,971,823	9,688,669	11,554,189	✓
Direct GHG emissions[3]	t CO_2eq	9,273,269	9,150,142	10,808,177	✓
Indirect GHG emissions[3]	t CO_2eq	698,553	538,527	746,012	✓
Direct consumption of energy	GJ	21,840,417	25,202,566	36,464,378	✓
Renewable energy consumed	GJ	699,114	1,239,930	2,990,430	✓
Non-renewable energy consumed	GJ	21,141,303	23,962,635	33,473,948	✓
Indirect consumption of energy	GJ	7,678,311	5,313,184	7,811,002	✓
Electrical energy consumed	GJ	7,676,876	5,310,338	7,792,273	✓
Energy in the form of steam consumed	GJ	1,435	2,846	18,729	✓
Total consumption of energy	GJ	29,518,728	30,515,750	44,275,379	✓

Community	Units	2014	2013	2012	Externally verified
Investment in corporate citizenship	Millions of euros	2.8[4]	4.0	4.5	

People	Units	2014	2013	2012	Externally verified
Total staff	Nº	58,034.00	63,254.97	80,549	
Total women	Nº	12,122.00	13,677.09	15,931	
Total men	Nº	45,912.00	49,577.88	64,618	
Percentage of women executives with respect to total executives	%	19	17	16.6	
Number of employees with permanent contract	Nº	9,438	12,989	29,565	
Number of employees with a temporary contract	Nº	7,846	8,759.10	9,732	
Number of seconded employees	Nº	40,750	41,507	41,252	
Total voluntary rotation	%	3.10	3.88	6.46	✓
Total voluntary rotation of men	%	3.32	4.10	5.40	✓
Total voluntary rotation of women	%	2.27	3.11	1.06	✓
Number of disabled employees	Nº	849	930.69	963	
People hired within the geographical proximity	Nº	ND(*)	7,407.38	14,655	
Number of training hours per employee	Nº	6.48	9.37	12.11	
No. workers covered by collective agreements (Spain)	%	100%	100%	100%	
Amount of time off due to work related accidents, employees+subcontractors (except while travelling of for cardiovascular reasons)	Nº	2,723	2,821	5,045	

[3] Energy consumption and associated emissions were corrected on the figures published in 2013.
[4] Investment in corporate citizenship in 2014 has gone down compared to earlier years, mainly due to less investment in Construction and Environmental Services areas, specifically in Eastern European countries, as well as at corporation level.

People	Units	2014	2013	2012	Externally verified
Accident rates FCC Group (own personnel, national and international)					
Frequency rate		24.39	23.14	26.91	✓
Severity rate		0.75	0.7	0.61	✓
Incidence rate of workplace accidents		43.9	44.03	53.2	✓
Absenteeism rate		6.1	6.06	5.25	✓
Accident rates FCC Group (own personnel + subcontracted personnel)					
Frequency rate		23.69	22.8	25.7	✓
Severity rate		0.68	0.65	0.6	✓
Incidence rate of workplace accidents		43.23	42.67	51.4	✓
Absenteeism rate		5.36	5.23	4.56	✓
Deaths caused by accidents in the workplace					
FCC Group total (own personnel + subcontracted personnel)	nº	7	9	10	✓
Subcontracted personnel	nº	3	6	6	✓
	nº	4	3	4	✓

(*) ND Not available.

IX. INDEPENDENT REVIEW REPORT

KPMG

KPMG Asesores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Independent Assurance Report to the Management of Fomento de Construcciones y Contratas, S.A.

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

We performed a limited assurance review on the non-financial information contained in the Corporate Social Responsibility Report of Fomento de Construcciones y Contratas, S.A. (hereinafter FCC) for the year ended 31 December 2014 (hereinafter "the Report"). The information reviewed corresponds to the contents marked as external assurance with the symbol ✓, as referred to in the section of the Report entitled "FCC Group 2014 Performance Indicators".

FCC management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 4.0 (G4) of the Global Reporting Initiative as described in item G4-32 of the chapter "How the Report was prepared". Management is also responsible for the information and assertions contained within the Report; for determining its objectives in respect of the selection and presentation of sustainable development performance; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility is to carry out a limited assurance engagement and, based on the work performed, to issue a report. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement. It concerns a review performed according to KPMG assurance engagement independence rules, as well as the requirements from the International Ethics Standards Board for Accountants Code of Ethics on integrity, objectivity, confidentiality, professional behaviours and qualifications.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore also the level of assurance provided. This report should by no means be considered as an audit report.

Our limited assurance engagement work has consisted of making inquiries to Management, primarily to the persons responsible for the preparation of information presented in the Report, and applying the following analytical and other evidence gathering procedures:

- Interviews with relevant staff concerning FCC's policy and strategy application on sustainability, governance, ethics and integrity.
- Interviews with relevant FCC staff responsible for providing the information contained in the Report.
- Analysing the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.

- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of FCC.
- Corroborating that the financial information reflected in the Report was taken from the annual accounts of FCC, which were audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the data included in the Corporate Social Responsibility Report of Fomento de Construcciones y Contratas, S.A. for the year ended 31 December 2014 have not been reliably obtained, that the information has not been fairly presented, or that significant discrepancies or omissions exist, nor that the Report is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines and Oil and Gas Sector Disclosures version 4.0 of the Global Reporting Initiative as described in item G4-32 in chapter "How the Report was prepared".

Under separate cover, we will provide FCC management with an internal report outlining our complete findings and areas for improvement.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

3 June 2015

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EXECUTIVE PERSONNEL

EXECUTIVE PERSONNEL

Position	
Chairwoman of the Board of Directors	Esther Alcocer Koplowitz
Second Vice-Chairman and CEO	Juan Béjar Ochoa
General Secretary	Felipe B. García Pérez
• Head of Legal Services	José Cerro Redondo
Corporate Manager for Organisation	Ana Villacañas Beades
Corporate Manager for Administration and Finance	Miguel Martínez Parra
• Corporate Manager for Administration	Juan José Drago Masià
• Corporate Manager for Finance	Víctor Pastor Fernández
Communications & CSR Director	Julio Pastor Bayón
Chairman of FCC Construcción	Miguel Jurado Fernández
Chairman of FCC Medio Ambiente	Agustín García Gila
General Manager of FCC Aqualia	Félix Parra Mediavilla
Chairwoman of the Board of Directors of Cementos Portland Valderrivas	Alicia Alcocer Koplowitz
CEO of Cementos Portland Valderrivas	Gerardo Kuri Kaufmann

Citizen Services

www.fcc.es