Annual report_2017

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Where there's a will, there's a way

Dear shareholders:

Where there's a will, there's a way. Attributed to Albert Einstein, that sentence could well provide an overview of everything we carried out in our Group throughout 2017. A year whose milestones and significant data we set out in this annual report.

Only from a belief that things can be done is it possible to do them successfully, and this is what we have applied in our Group.

In 2017, FCC returned to the path of growth, from a healthy position and much stronger to face both the current and future challenges demanded by the market and society.

With extraordinary effort, we have remained the leader in the business lines which are our hallmarks: environmental services, end-to-end water management and infrastructure.

Again, this has been possible to the commitment and effort of the people who make the reality of FCC possible in every single country in which we are present and, of course, the main managers who have been and are at the forefront.

Teams who work for and to improve the lives of people, with one basic goal: to be the international benchmark group in Citizen Services, offering global and innovative solutions which contribute to solving environmental issues faced by all cities on the planet.

I end as I began: **where there's a will, there's a way** and, in FCC, we can corroborate this thank to an extraordinary human team and a committed management, the repeated trust of our customers and the dedicated support of you all.

Thank-you for making it possible.

Esther Alcocer Koplowitz
Chairperson of FCC Group

Robustness and growth

Our company returned to the **path of growth**, from a **healthy position** and much stronger to face both the current and future

To all shareholders:

FCC Group is today a leading company in environmental services, end-to-end water management and infrastructure. FCC has been defined over its more than 115 years of history by the dedication and loyalty of its teams, distinguished by their commitment, professionalism, and excellent customer service.

In 2017, FCC returned to the path of growth, from a healthy position and much stronger to face both the current and future challenges. The company's net income was 118 million euros with a consolidated margin growth of 14.1% due to an in increase in operating profitability, taking advantage of synergies between businesses and steps to increase productivity and constrain spending.

I would also like to highlight the successful completion of the novation process on a large part of FCC Group's financial debt, with an immediate positive effect on cash generation. The refinancing agreement was perfected with the early repayment of 1,069 million euros through Aqualia's issuance of two corporate bonds on the international market.

Pablo Colio Abril
CEO of FCC Group

In 2017, each business of FCC Group has played a central role in important events:

In **Aqualia**, the agreement with Mistui for the repurchase of 49% of the Water division in the Czech Republic allowed 100% ownership of that business to be regained and, indirectly, its subsidiary SmVak. Aqualia was also recognised as the best company in the sector for 2017 due to the quality of its work.

In **Environment**, *FCC Environmental Services* was awarded the contract for the design, construction and operation of a recycling plant by the city of Houston (Texas). This contract represents another step in the increase of presence in America, where revenues grew 66.9% last year.

In **Construction**, the Group's experience in managing complex projects brought about the awarding of major works, such as constructing the terminal of the new International Airport in Mexico City. FCC also leads some of the most significant consortia today, such as the Riyadh metro (Saudi Arabia), the largest infrastructure project in the world; or the construction of line 2 of the Lima metro (Peru).

In the corporate sphere, I would highlight the recognition of FCC's commitment to the protection and safety of its expatriate staff, as well as the collaboration of the company in the various International Security activities.

Finally, I would like to give special mention of the approval by the Board of Directors, in February 2018, of FCC's Code of Ethics and Code of Conduct, our comprehensive behavioural guide in which our high level of demand in compliance with laws, regulations, contracts, procedures and ethical principles is borne witness.

Here in FCC, we live a corporate culture based on the principles of integrity, professionalism and transparency; key values which have allowed us to build a sustainable business model with a great future outlook.

We want to be present in the cities of the future and have the group be an international benchmark in Citizen Services which offers global and innovative solutions to efficiently manage resources and improve infrastructure.

In the coming years, we will move forwards with our international expansion, but without forgetting our share in mature markets and always remembering that our value is to be part of the cities we serve. Undoubtedly, however, the key to enabling us to give global solutions to citizens is our great team of professionals. The seriousness, professionalism, loyalty and commitment has characterised FCC's team in our more than 115 years.

We want to be an international benchmark group in **Citizen Services** which offers **global and innovative solutions**

The fundamentals of the company: values and good governance

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Corporate Governance

FCC's Corporate Governance model includes all elements need to guarantee responsible and efficient management, understood as being ethical, transparent and responsible towards shareholder's, customers, employees and other stakeholders for the company, in turn generating trust. These characteristics are fundamental to ensure the company's long-term sustainability.

The responsibilities of the company's governing body are formally set out in FCC's Articles of Association and in the Rules of the Board of Directors, whose main functions are the strategic aims of FCC, the identification of risks of any kind which could affect the business, the supervision of good working practices, and decision making which ensures the company's interests are protected in the long term.

FCC Group's Corporate Governance guidelines are in line with the Corporate Social Responsibility recommendations of the National Securities Market Commission (CNMV) in the Code of Good Governance of Listed Companies which apply to it (Recommendations 53, 54 and 55), with the International Corporate Governance Network (ICGN) and other Corporate Governance organisations. The company publishes an Annual Corporate Governance Report which is reported to the CNMV.

Compliance with Corporate Governance

83% compliance

with the recommendations of the CNMV's Code of Good Governance

Equality on the Board

27% women

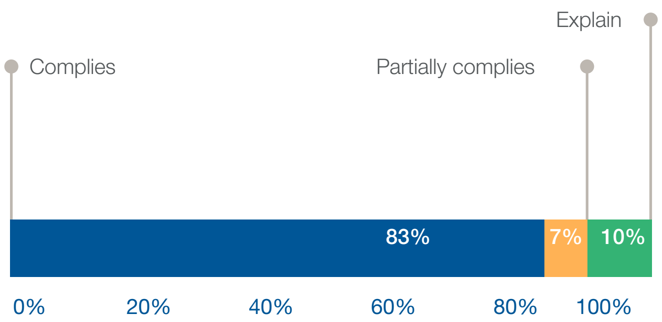
on the Board of Directors

Diversity on the Board

53% of directors

from overseas with **3** different nationalities

Compliance with the recommendations of the CNMV's Code of Good Governance



FCC Group largely complies with recommendations of the CNMV in the Code of Good Governance for listed companies having assigned to the Executive Committee of the Board of Directors the monitoring of the non-financial risks (R53), with the full Board approving a CSR policy (R54) and publishing an Annual Report on its behaviour and commitments to social responsibility (R55). It should be noted that compliance with the recommendations on good governance by FCC has improved compared to the previous year (80% in 2016; 83% in 2017).

The composition of the Board of Directors and Board Committees

On 12 September 2017, the Board of Directors appointed Pablo Colio Abril by co-option as CEO. Likewise, Carlos M. Jarque was appointed proprietary director which caused Miguel Ángel Martínez Parra, previously executive director, to leave the Board.

According to the provisions of FCC Group's Articles of Association, the governance and administration of the company is the responsibility of the General Meeting of Shareholders and the Board of Directors, appointed by the General Meeting in the scope of the duties and powers attributable to each of them. The distribution of powers and duties between the Board of Directors and its Committees seeks the achievement of the company's purpose and efficiency.

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

CH: Committee Chair
NBDS: Non-board member deputy secretary
NBS: Non-board member secretary

(1) DOMINUM DESGA, S.A.
(2) SAMEDE INVERSIONES 2010, S.L.
(3) EAC INVERSIONES CORPORATIVAS, S.L.
(4) DOMINUM DIRECCIÓN Y GESTION, S.A.
(5) INMOBILIARIA AEG, S.A. DE CV.

FCC's Governing Bodies

The Directors of FCC Group are classified as executive, proprietary and independent directors and they are appointed by the General Meeting of Shareholders. The independent directors are elected by the General Meeting applying rigorous professional criteria and total independence, with their being proposed by the Appointments and Remuneration Committee.

This proposal comes from an independent third party responsible for the selection of directors of listed companies, that meets the needs of FCC Group's profile and the requirements of professionalism and independence required by law and Good Governance practices.

General Shareholders' Meeting

FCC Group's General Shareholders' Meeting is governed by the provisions of law, the Company's Articles of Association, and the Regulations of the General Meeting. FCC guarantees equality amongst all shareholders in terms of information, participation and the right to vote in the General Meeting.

Board of Directors

It is the body charged with managing and representing FCC Group. It focuses its activity on the supervision and control of the management of the company, entrusted to the executive directors and senior management, as well as on the consideration of other matters of particular importance for FCC Group.

Executive Committee

It is a permanent delegation body appointed by the Board of Directors, which in turn determines the authorities and powers attributable to it, as well as the directors which must be part of it. It is responsible for making decisions in relation to the investments and divestments of FCC Group, access to credit, loans, guarantees or guarantee lines, or other instruments of a financial nature.

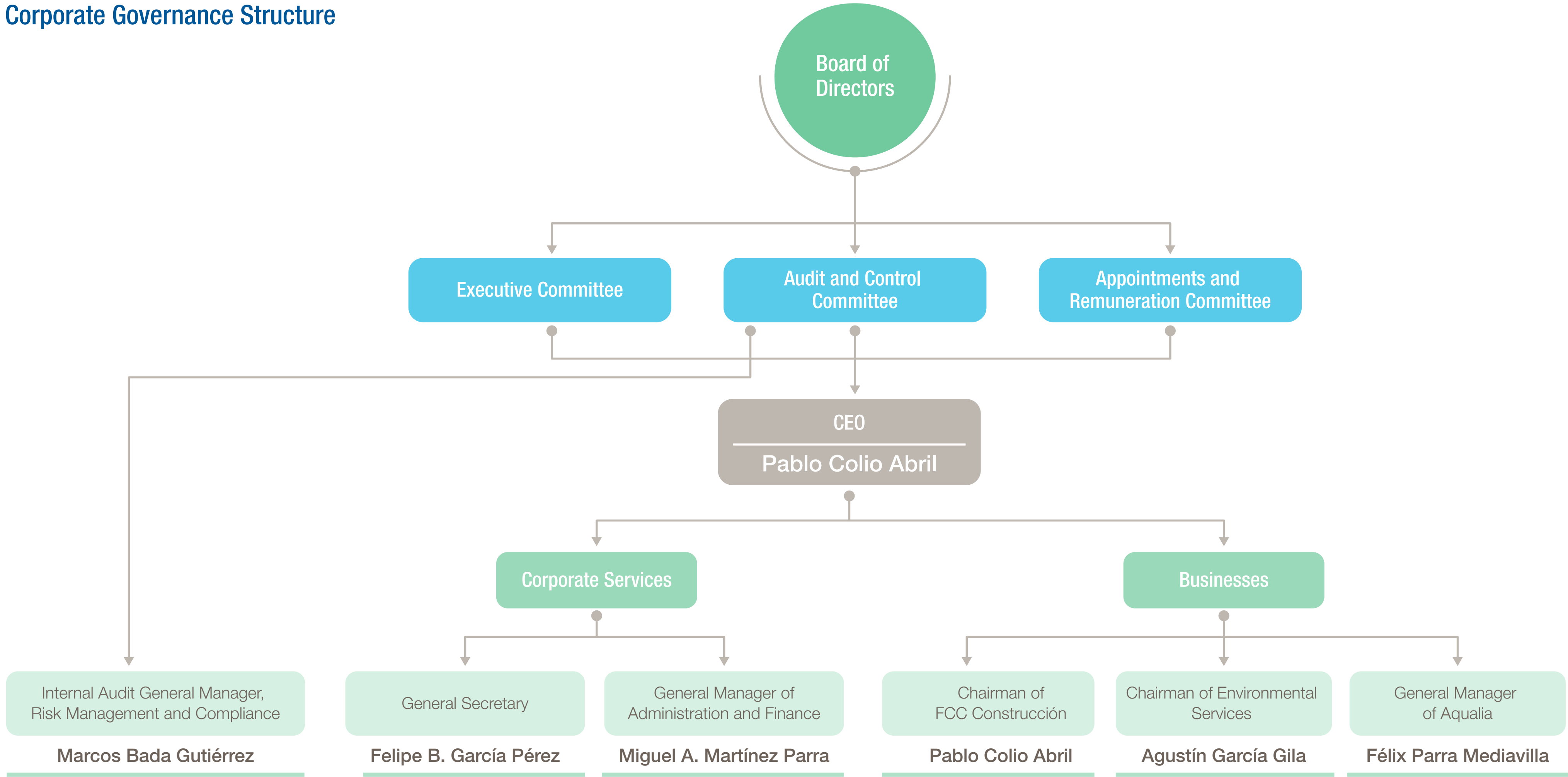
Audit and Control Committee

Supports the Board, reviewing the preparation of economic-financial information, internal control and the independence of the external auditor. It has a majority of independent directors. The members must gather technical knowledge in relation to FCC Group's activities. In addition, at least one of its members must have knowledge of accounting and/or auditing.

Appointments and Remuneration Committee

Its competences are: information, advice and proposal regarding the appointment, re-election, ratification and removal of directors, remuneration of directors and senior executives of FCC Group, as well as the control of possible conflicts of interest and related transactions, without prejudice to other functions, whatever they may be, attributed by law, the Company's Articles of Association or the Regulations of the Board of Directors.

Corporate Governance Structure



Diversity on the Board of Directors

The members of the Board of Directors represent a wide diversity of gender and nationalities. According to the 2017 Spencer Stuart Board Index, which analysed 100 listed Spanish companies, the Boards of Directors have an average of 17% women and 19% foreign national directors. It is noteworthy that the percentage of women (27%) and foreign national directors (53%) on FCC's Board is above the average percentage of Spanish listed companies.

The Appointments and Remuneration Committee is responsible for ensuring diversity on the Board of Directors. Article 38.4.h of the Board Regulations establishes that, within its duties, it is to avoid bias in the assessment of candidates which may imply any discrimination, and, in particular, to facilitate the selection of female Directors, in such a way that the Company deliberately seeks out women who meet the intended professional profile and includes among the potential candidates. Additionally, it must establish a representation goal for the gender that is least represented on the Board of Directors and prepare guidelines on how to reach that goal.

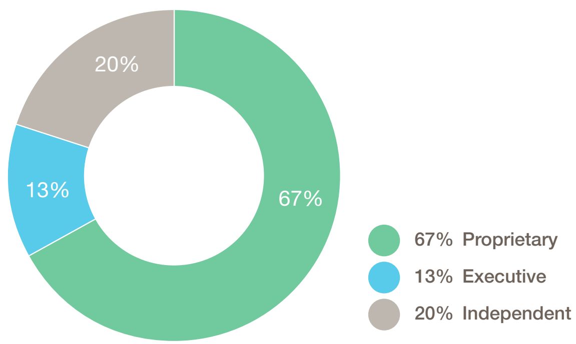
FCC's commitment to the equal involvement of men and women on the Board of Directors was agreed in 2014 through an agreement with the Ministry of Heath, Social Services and Equality. In light of this commitment, FCC's Board of Directors promises to:

i) move forward in compliance with the recommendation of art. 75 of Organic Law 3/2007 of 22 March, for the Effective Equality of Men and Women;

ii) publicly disclose and keep information about the directors updated in accordance with the recommendations of the Code of Good Governance of listed companies;

iii) in internal regulations, include explicit references for the promotion of the balanced participation of men and women on the board; as well as trying to incorporate members of the less represented gender onto the board.

Board of Directors



Board Members

15 members

27% women

Meetings

9 meetings in 2017

94.8% attendance

Diversity

53% foreign nationality

47% Mexican
47% Spanish
6% French

professional diversity

Law
Economics
Engineering

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

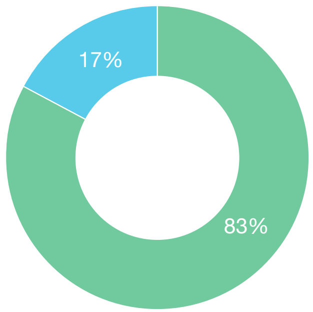
In addition to gender and nationality, diversity for FCC encompasses the professional backgrounds of the directors which includes the knowledge and skills necessary to understand the reality of the company's different businesses. The profiles of the directors are linked to the fields of Economics, Law and Engineering, with career paths in different types of companies, mainly in construction and cement, but also in finance, services and telecommunications.

Operation of the Board and Board Committees in their performance

The Board of Directors held nine meeting during 2017, complying with article 34.1 of the Rules of the Board of Directors and article 31.1 of the Articles of Association. The Board committees have also held a high number of meetings to ensure the monitoring of the Group's management.

To ensure the meetings are effective, the directors are provided with the necessary information so that they can form their opinion and cast their vote in relation to the matters submitted for consideration, as established in article 34.3 of the Rules of the Board of Directors. The Board of Directors gathers the information which it considers suitable for an adequate performance of its functions from the company's senior management.

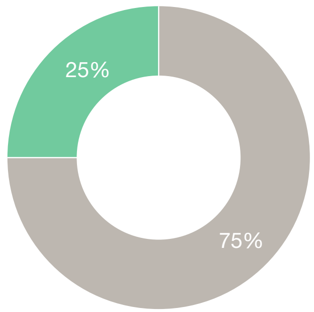
Executive Committee



83% Proprietary
17% Executive

6 members 6 meetings

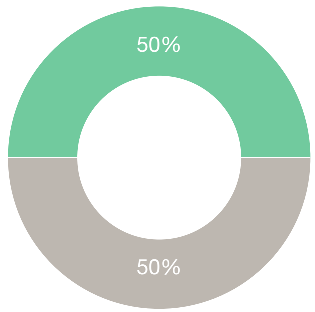
Audit and Control Committee



25% Proprietary
75% Independent

4 members 8 meetings

Appointments and Remuneration Committee



50% Proprietary
50% Independent

4 members 9 meetings

Self-assessment of the Board of Directors

In 2017, FCC's Board of Directors issued a report which assessed the quality and efficiency of its operation and that of its Committees. This self-assessment complies with the duty imposed by Article 34.9 of the Rules of the Board of Directors, through which, recommendation 36 of the Code of Good Governance of Listed Companies and Article 529 of the Spanish Capital company Act are incorporated.

For the 2017 report, the self-assessment process was conducted assessing the various aspects that affect performance, efficiency, quality and compliance with the rules on Good Corporate Governance for Listed Companies 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 assigned to the Board. Generally positive assessments and conclusions were obtained from this process, both in terms of their organisation and the exercise of their powers.

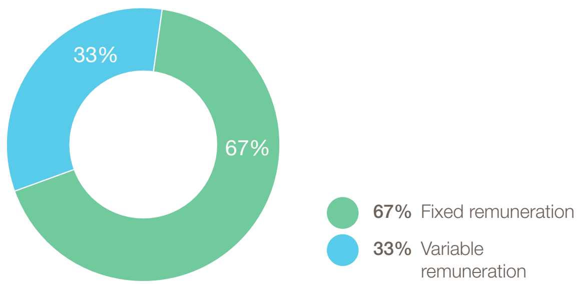
Lastly, the members of the Board possess the necessary repute, solvency, technical competence and experience referred to in Article 16.1 of the Rules of the Board, for the exercise of their functions and the fulfilment of their purposes.

Remunerations Policy

The remuneration distributed among the members of the Board is agreed by the General Meeting, which takes into account the roles and responsibilities exercised by each of them within the Board itself or the Internal Committees. The directors are also remunerated for attending Board meetings and those of its Internal Committees, and it is the General Meeting which determines the corresponding amount for this concept each year. Remuneration for attendance at meetings is only in the case of attending personally and not by proxy or means of remote communication. Executive directors also receive a variable amount linked to compliance of company objectives.

In accordance with the provisions of Article 28.2 of the Rules of the Board of Directors, among the criteria that must be met with respect to the remuneration policy of the company, is that the remuneration must be kept in reasonable proportion to the importance of the company, its economic situation at any given time and the market standards of comparable companies, and the system of remuneration established must aim to promote the profitability and long-term sustainability of the company and incorporate the necessary safeguards to prevent excessive risk-taking and the rewarding of unfavourable results.

Make up of executive directors' remuneration



The executive directors of the Company are the only board members with a variable component.

Remuneration

3.206 million euros for the Board	3.168 million euros for Senior Management

Principles and criteria for setting remuneration

FCC's Due Diligence: The Code of Ethics, its policies and procedures

Respect for the person's dignity and their fundamental rights is a key element in the conduct of FCC Group. The standards of conduct that guide the actions and the behaviour of FCC professionals in ethical, social and environmental matters are reflected in the current Code of Ethics.

The elements of FCC's integrity and compliance framework, which respond to the criminal liability of the legal entity arising from article 31 bis of the Spanish Criminal Code, comprise the Code of Ethics, approved by the Board of Directors in 2008, which will be subject to a new edition in 2018, the Crime Prevention and Response Manual, the Risk Management System and Policy, the Tax Code of Conduct, the Corporate Social Responsibility Policy itself, the Protocol for the Prevention of Occupational and Sexual Harassment situations in FCC Group, and the acceptance of the regulations on these matters by the employees of the company.

The *Code of Ethics* was revised in 2017, culminating in the approval of a new version. The revision of the Code of Ethics responds to the strengthening of the company's existing ethics framework, FCC's commitment to the fight against corruption and the application of good practices in the businesses. It also responds to the strengthening of proper control, in compliance with the Spanish Criminal Code and the prevention of crimes within the company's operations. FCC Group's global dimension and vast international presence make it imperative to increase its commitment to applying the highest standards of integrity and ethical and regulatory compliance in its activities and businesses. The current Code of Ethics, which strengthens and ratifies FCC's commitment to the exemplary conduct of all its members, includes, among other issues, those related to human rights, corruption, bribery, health and safety, and the application of these by FCC personnel and in their relations with third parties. The ethical principles contained in the Code affect all company employees and are mandatory, responding to the high expectations required by society from an organisation such as FCC in any territory where it develops its activity.

In addition, FCC also acts outside of its organisation to promote responsibility, ethics and corporate governance, chairing the Corporate Governance Committee of the Excellence in Sustainability Club, and the Association of Spanish Issuers, the working group on Ethical Channels within the Criminal Liability of Companies Committee.

The management of Integrity and Ethics at FCC

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

5 GENDER EQUALITY

The Audit and Control Committee is charged with monitoring the effectiveness of the company's internal control, including the evaluation of risks related to Ethics, Integrity and Compliance and integrating these into the risk management and control system.

On the other hand, FCC's **Response Committee** is the body for the prevention, detection and response to crime within the company, and is also responsible for supervising the communication of incidents regarding criminal offences and breaches of the Code of Ethics.

Finally, after approval of the new CSR2020 Master Plan, FCC has a plan to disseminate and train all its employees in the Code of Ethics with the aim of promoting an ethical culture, ensuring compliance and understanding at all levels, and to normalise the use of the ethical channel as a means of communication for questions, suggestions, notifications and incidents.

Control mechanisms

Ethics channel

Audit and Control Committee

Response committee

STOP

Protocol for the prevention of workplace and sexual harrassment

FCC has a
Prevention and Response to Crimes Manual.

For this, there is the:
ETHICS CHANNEL
an email address available to all employees to report possible breaches of the Code of Ethics.

19 communications received in **2017** mostly related to respect between people

It includes guidelines of behaviours to ensure the dignity, integrity and equality of treatment and opportunity for all people, and is mandatory.

In addition, there is an
inbox and form for online reports
which are dealt with confidentially

Respect for Human Rights at FCC

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

It is important to note that, following approval of the CSR2020 Master Plan, the company wishes to reinforce respect for Human Rights, and with this objective has committed itself to diagnosing the impact of its activity on Human Rights in all societies and communities in which the Group operates, in addition to extending the commitment to its partners and collaborators. For this, the Group will develop and implement a Human Rights Policy, based on due diligence for the prevention, detection and eradication of violations, contemplating a formal declaration on human rights, establishing responsibility for its management, implementing training and raising awareness of human rights, and establishing mechanisms to identify, prevent and mitigate potential negative consequences on human rights.

To reinforce this commitment to respect for human rights, FCC adheres to different international standards in this sphere:

- UN Global Compact, the guiding principles of the policy includes the OECD Guidelines for Multinational Enterprises.
- Universal Declaration of Human Rights Framework, the Declaration of Rights of the Child and several ILO conventions.
- Negotiation of agreements with the Building and Wood-Worker's International Federation (BWINT) in countries that have ratified the ILO conventions.

Value creation in FCC

3

FCC: global infrastructure and services operator

FCC Group's mission, vision and values

FCC's vision defines the future sought by the company and gives a purpose to its action. In this manner, all components share the same culture and adhered to the same project: a single FCC.

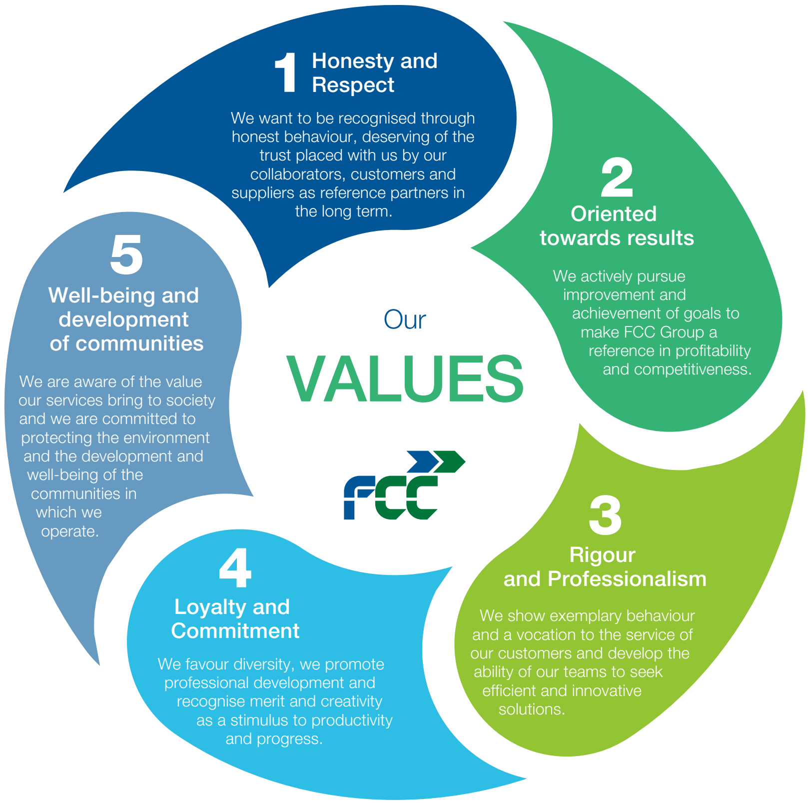
To achieve its vision, FCC develops and manages environmental, end-to-end water management and large infrastructure services whilst holding the highest standards of operating excellence and applying the strictest ethical principles set out in FCC Group's Code of Ethics and Code of Conduct in all its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

MISSION. What we do

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

VISION. What we want to be

For the group to be an international reference Citizen Services which offers global and innovative solutions for the efficient management of resources and improvement of infrastructure, contributing to improving the quality of life of citizens and the sustainable progress of society.



FCC Group's value creation

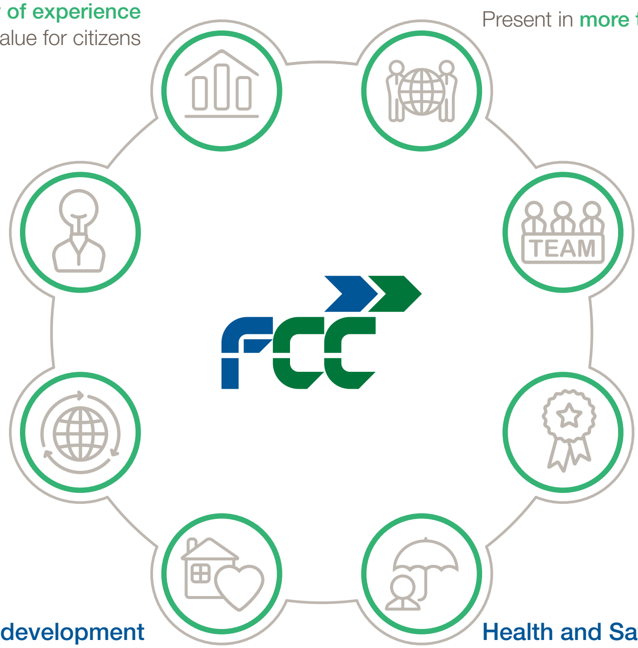
FCC Group's business model is based on the specialisation of three synergistic business areas in the field of design, infrastructure execution and the provision of services to cities. This value creation proposal is characterised by four aspects which are common to the Group and traverse all businesses:

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

Strengths of the business

FCC is a company that provides high added value thanks to more than 115 years of activity. The company exports its *know-how*, a consolidated experience and a large portfolio of references. Its team of professionals is multi-disciplinary: on one hand, highly specialised in all branches of engineering contributing knowledge, technology and innovation to each project and; on the other hand, local teams which affords a specific source of knowledge which is fundamental for the projects to be successful. In addition, through its centennial commitment to be close to citizens and the solidly implemented corporate responsibility policy, which operates top-down from senior management, FCC supports the local communities where it operates.

Internationalisation is nothing more than transferring knowledge and technical solvency to the development of infrastructure and other services to cities, related to end-to-end water management or end-to-end waste management, with a fundamentally local work model This means that FCC's teams are fully integrated into the culture and idiosyncrasies of the places in which it operates. FCC is a part of the cities it serves and that is how the company wishes to be seen.



Experience
More than a century of experience creating value for citizens

Internationalisation
Present in more than 40 countries

Innovation and Technological Ability
Investment of more than 9.79 million euros in R&D projects in 2017

Professionalism
More than 57,000 professionals specialised in various areas

Care for the Environment
Environmental Management Systems certified according to UNE–EN ISO 14001 in all business areas

Quality
Quality Management Systems certified according to UNE-EN ISO 9001 in all business areas

Local development
More than 5.23 million euros for local development projects in 2017

Health and Safety
Occupational Health and Safety Systems certified according to OSHAS 18001 in all business areas

Strategic keys for FCC as a services operator

Integrations: operation in the full circle

Operations in all the infrastructure and operation cycle affords FCC greater control in the production chain, bringing advantages for the business and reduced risks throughout the production cycle.

Synergies between the businesses

The collaboration between the Group's different business divisions has become an essential goal for the company's present and future. Working as a single company to achieve synergies, to be more efficient and reduce costs requires a cultural change and the application of a string of strategic measures and operations which are underway and which brought positive results in 2017 such as, for example, access to more complex projects where FCC has led the execution and implementation. Noteworthy here is FCC's participation in the construction of the Riyadh Metro, the largest infrastructure project currently in progress worldwide, which will include the installation of 64.6 kilometres of track and 25 stations. For FCC, the opportunities in the near future consist of enhancing all the abilities of its various businesses.

FCC operates throughout the whole infrastructure cycle

DESIGN

Development and promotion of new projects in line with the needs of the customer and society as a whole.

FINANCING

Optimisation of financing structures and adapting them to the different phases of the life cycle of the projects, rotating mature assets to finance long-term growth.

CONSTRUCTION

Compliance with the standard quality deadlines, understanding the needs of the customer as well as the communities in which the projects are developed.

OPERATION

Improvements to operational efficiency and the management of complex assets, along with innovation to develop different solutions.

MAINTENANCE

Provision of an end-to-end services offering to establish long-term and reliable relationships with customers.

International footprint, local integration

Success for FCC resides in becoming part of the communities in which it serves, integrating itself with them to understand their needs and anticipate them with innovative solutions. Local and highly specialised teams allow the business to consolidate relationships of trust with Public Administrations and respond to the needs of the citizens where its activity is being carried out. As a result, the end-to-end water management division was recognised in 2007 as "Best Company in the World" in its sector by Global Water Intelligence (GWI), a global reference journal in the water management sector. This award recognised the work carried out by Aqualia which has been trusted by the Public Administrations of various countries when awarding large contracts such as the design, construction, operation and maintenance of the wastewater treatment works in Abu Rawash (Egypt) and Arraiján (Panama) and the desalination plant in Guaymas (Mexico). Ten years later, thanks to the confidence generated amongst citizens in the regions in which it serves, the company continues to be a reference and leader in the sector.

The keys to a diversified business

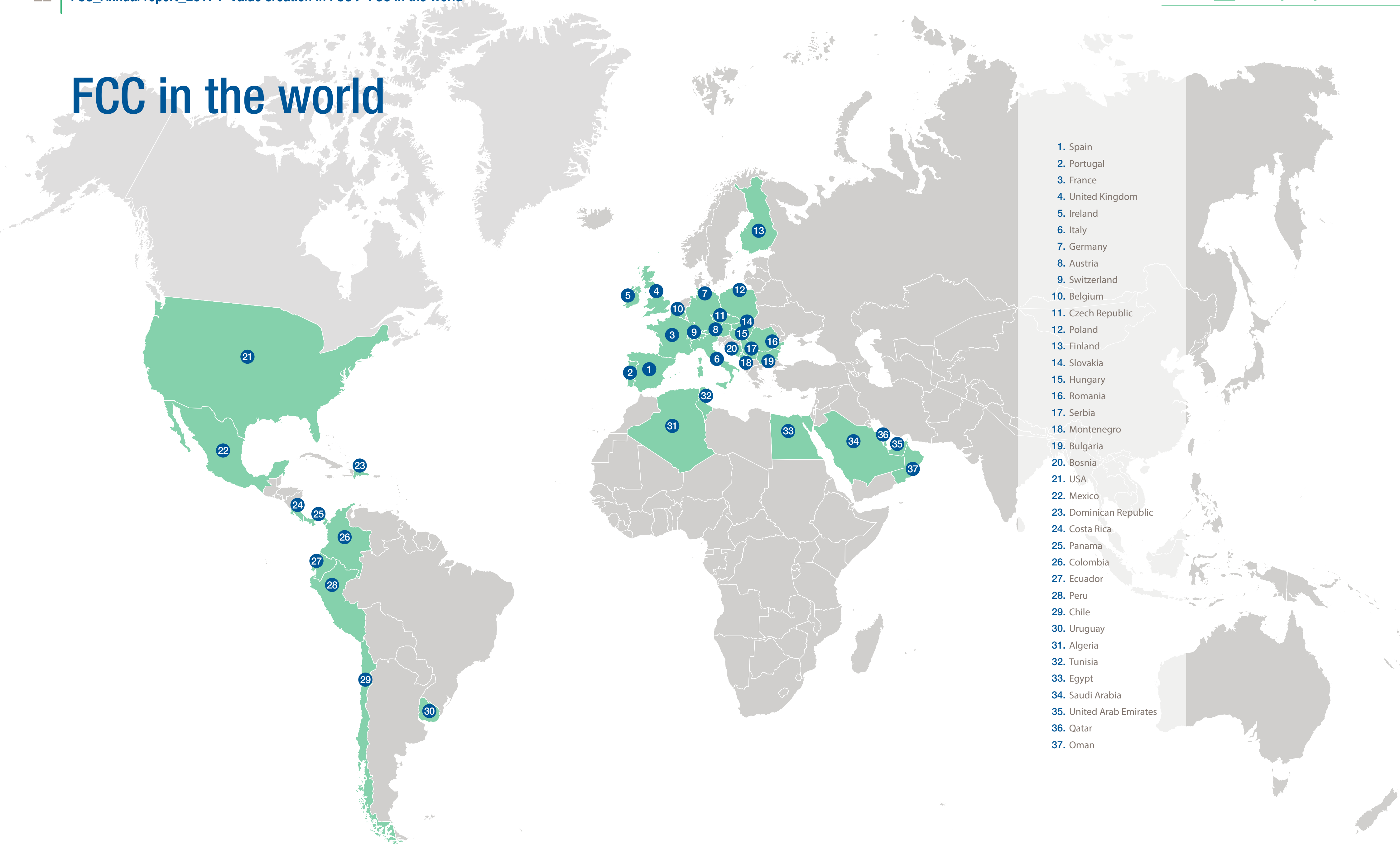
- Waste collection
- Street cleaning
- Urban waste treatment and recycling
- Conservation of green areas
- Maintenance of sewage networks
- Industrial waste treatment and recycling
- Recovery of contaminated soils

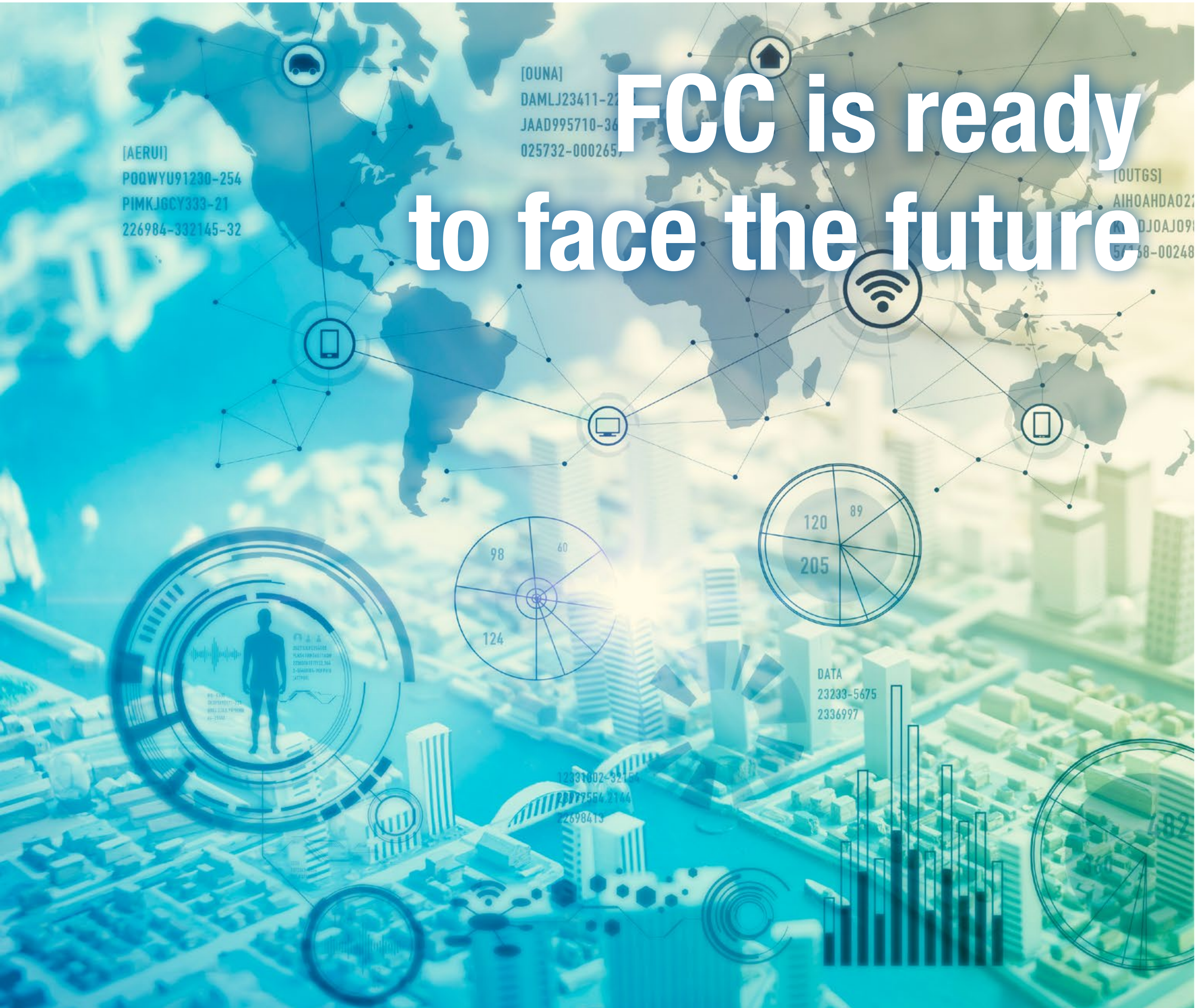
- Comprehensive management of public services
- Operation, maintenance and technical assistance services
- Design, construction and financing of water infrastructure

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

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

FCC in the world





FCC is ready to face the future

4

Our evolving environment

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

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

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

FCC's responsible action principles, included in its Code of Ethics and in its new CSR2020 Master Plan, imbue its way of doing business. Among others, these are, constantly seeking improvement, innovation and anticipating customer needs; respect of the rights and dignity of people in all regions; obtaining the maximum yield from optimised use of resources; working hand-in-hand with the communities where its activity is carried out to promote their well-being and development.

Global trends

Population pressure and concentration of the population in cities[1] [2] [3][4]

By 2050, the urban population will grow to six billion people, mainly concentrated in urban centres.

As a result, the conception and planning of cities will gradually change to adapt to this new scenario in which information, and sustainable development technologies will be the pillars on which urban growth should be grounded.

In 2050

6 bn people will live in cities (66% of the global population)

15% increase in water use

30% increase in the demand for energy

FCC's response to the challenges and opportunities afforded

1	Guarantee the population's access to basic services, as well as mobility and inter-urban connections, requiring the development of more complex transport infrastructure	**FCC Construcción** brings its experience in large infrastructure works for transport, ports, hydraulic works, airports and buildings with great ability to manage projects of public interest, specialisation, security in the execution and integration of sustainability.
2	Manage waste generated in cities, protecting the value of urban ecosystems, requires in-depth knowledge of the sector to face up to an increasing population.	**FCC Environment** encompasses environmental services related to urban and industrial end-to-end waste management which treatment, recycling and energy assessment stand out; and municipal services such as waste collection, street cleaning or the maintenance of parks and gardens.
3	Invest in quality materials which responds to new infrastructure needs, providing greater durability, resilience and making them more sustainable.	**Cementos Portland Valderrivas** is the leader producer of cement, aggregates and mortar, offering high-quality products and adapting to the needs of its customers and each construction project. In addition, it invests in innovation to improve the quality and increase the range of its products' qualities.

[1] World Population Prospects: The 2017 Revision. UN Department of Economic and Social Affairs.

[2] World Bank. 2016. Water: general outlook.

[3] International Energy Agency. World Energy Outlook 2017.

[4] World Urbanization Prospects. United Nations DESA's Population Division.

Climate change on the global agenda[1] [2] [3] [4]

The ratification of the Paris Agreement represents a global commitment to curb climate change and to limit the increase in the temperature of the planet by less than 2ºC.

The current energy and production model has been the main driver of climate change. Currently, promotion if more on the development of renewable energies, driven also by the regulatory pressure of energy policies/

Climate change

~1ºC increase in the average temperature since 1880

New **record** for the concentration of **CO_2** in the atmosphere **end 2016**

403.3 ppm for the second consecutive year

Greenhouse gasses must reduce by **44%** to meet of commitment of **<2ºC**

FCC's response to the challenges and opportunities afforded

1 Improve architecture and urban design in the face of climate change and the risks of disasters.

FCC Construcción plays a decisive role as an agent for the improvement and development of intelligent infrastructure and the adaptation of obsolete infrastructure to these new solutions.

2 The circular economy is posited as one of the contributions to the fight against climate change. It is estimated that around 50% of greenhouse gas emissions are associated with the consumption of materials.

FCC Environment integrates into the circular economy with the management of waste. It has been calculated that the waste sector emits 3% of greenhouse gasses so an improvement in the sector in terms of reductions could have an impact of between 15% and 20%.

FCC Construcción is aware of the problem which may occur through inappropriate management of industrial assets so it reuses materials to advance a circular economy model which promotes rational and efficient consumption and helps the fight against climate change.

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

(2) NASA Earth y Observatory. Global Temperatures.

(3) World Meteorological Organization. The Greenhouse Bulletin October 2017.

(4) European Council. Climate and Energy Policy Framework.

Water scarcity [1] [2] [3]

The scarcity of water resources today affects more than 40% of the population globally. In addition, 844 million people have no access to drinking water sources and 2.4 billion have no access to sanitation. By 2050, at least one in four people is likely to live in a country affected by chronic shortages of freshwater.

The measures to achieve universal access to drinking water and sanitation systems require the involvement not only of governments, but also all the social actors involved in the management, including the private sector.

In 2050

1 in 4 people
will live in a country affected by water scarcity

40% of the global population affect by water scarcity

2.4 bn people without access to basic sanitation services

-6% of GDP in some regions as a result of water scarcity

FCC's response to the challenges and opportunities afforded

1	To guarantee access to water, in quantity and quality, to an increasing number of the population, taking measures that protect the resource.	**Aqualia**, with its experience in the sector is highly specialised in end-to-end water management, offers solutions to increase the population whilst always guaranteeing access to the resource by the communities and therefore being efficient in its management.
2	To develop desalination, cleansing and purification technologies, managing water resources sustainably and betting on technological innovation.	**Aqualia** is capable of dealing with highly specialised projects for any water use: human, industrial or agriculture. The activity, with an every increasing use of technology, responds to a strategy of expansion into markets with very different water needs and the application of technological innovation for efficiency in the use of water.
3	Facilitate access to water in developing countries, taking advantage of the availability of financing.	**FCC Construcción**, through the construction of hydraulic infrastructure can take advantage of opportunities for the availability of financing this type of work especially in developing countries, helping these particularly vulnerable regions to access water.

(1) The United Nations. 2015. Sustainable development objectives. Objective 6.

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

(3) World Bank Group 2016. High and dry: climate change, water and the economy.

The disruption of new technologies[1] [2]

The existence of disruptive technologies could have a potential economic impact between 14,000 and 33,000 million dollars per year in 2025. The challenges centres on knowing how to take advantage which the technology offers in favour of society.

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

Disruptive technologies

could have an impact of between

14 and **33 billion dollars**

per year in 2025

26 bn internet connections in 2020

4 bn users in 2020

FCC's response to the challenges and opportunities afforded

1 Develop business models which respond to the future needs of its customers and of society in general.

Environmental Services, as a company, carries out its activity hand-in-hand with society and public administrations, working to implement a new business models following the *Smart Cities* concept and the use of *big data* to manage the services.

Aqualia is aware of the advantages which applying new technologies could bring to the water sector. The application of *big data*, *smart services*, platforms and tools bring about a change in the company's business model but necessary to respond to the needs and challenges of the future.

2 Sustainably manage and construct infrastructure, adapting it to the new needs and applying new technologies.

FCC Construcción is at the forefront of new ways to build infrastructure, such as BIM (Building Information Modelling), a collaborative work methodology which enables virtual constructions generating three-dimensional models and which represents an improvement in productivity through automation.

(1) McKinsey Global Institute. Disruptive technologies: Advances that will transform life, business, and the global economy.

(2) The Global Information Technology Report 2016. Innovating in the Digital Economy. World Economic Forum.

Accelerated economic globalisation and outsourcing[1] [2]

The increase in the standard of living of the developed countries has led to an economy based mainly on the services sector, to the detriment of the industrial sector. The consumption of services has increased, as has the awareness of the population about health, environmental protection and transparency of companies.

The services sector is the largest in the European economy, accounting for about 70.5% of economic activity and employing 69.5% of the workforce.

Economic globalisation

40% of employment in the services sector is in services to communities

Job creation in the services sector is **more than double** that in industry and agriculture

The services sector makes up **70%** of employment in the European Union

FCC's response to the challenges and opportunities afforded

1. To facilitate the population's access to basic services, as well as mobility and inter-urban connections requires the development of more complex transport infrastructure

   FCC Construcción gives it experience to large infrastructure works to respond to more mature and outsourced markets.

2. The challenge of managing waste generated in cities, protecting the value of urban ecosystems, requires extensive experience in the sector to face up to the consequences of an increasing population.

   FCC Environment, with its wide diversification of services related to the quality of urban area environments has significant capacity to respond to a public which is increasingly aware of health and the environment.

3. Improving services in the face of increased competition in the sector, and the increasing demands of customers and society in general, meeting responsible criteria, is a challenge for companies.

   Aqualia is a company which offers a highly technical service with multi-channel development to interact with the end customer and to meet their expectations.

(1) Sectoral Explanations of Employment in Europe: The Role of Services. European Central Bank

(2) Europe's service sector: key trends. Global Union Europe.

FCC's Strategy: focus on growth with profitability

FCC's levers to create value are:

- the international consolidation in markets with growth potential where FCC is present, becoming part of the communities for whom it works,
- the strength of the synergies between the businesses to promote efficient operations and to take advantage of the high level of specialisation held by the professionals in all areas,
- and the financial discipline which has allowed the Group to follow a path to growth, delivering positive results in 2017.

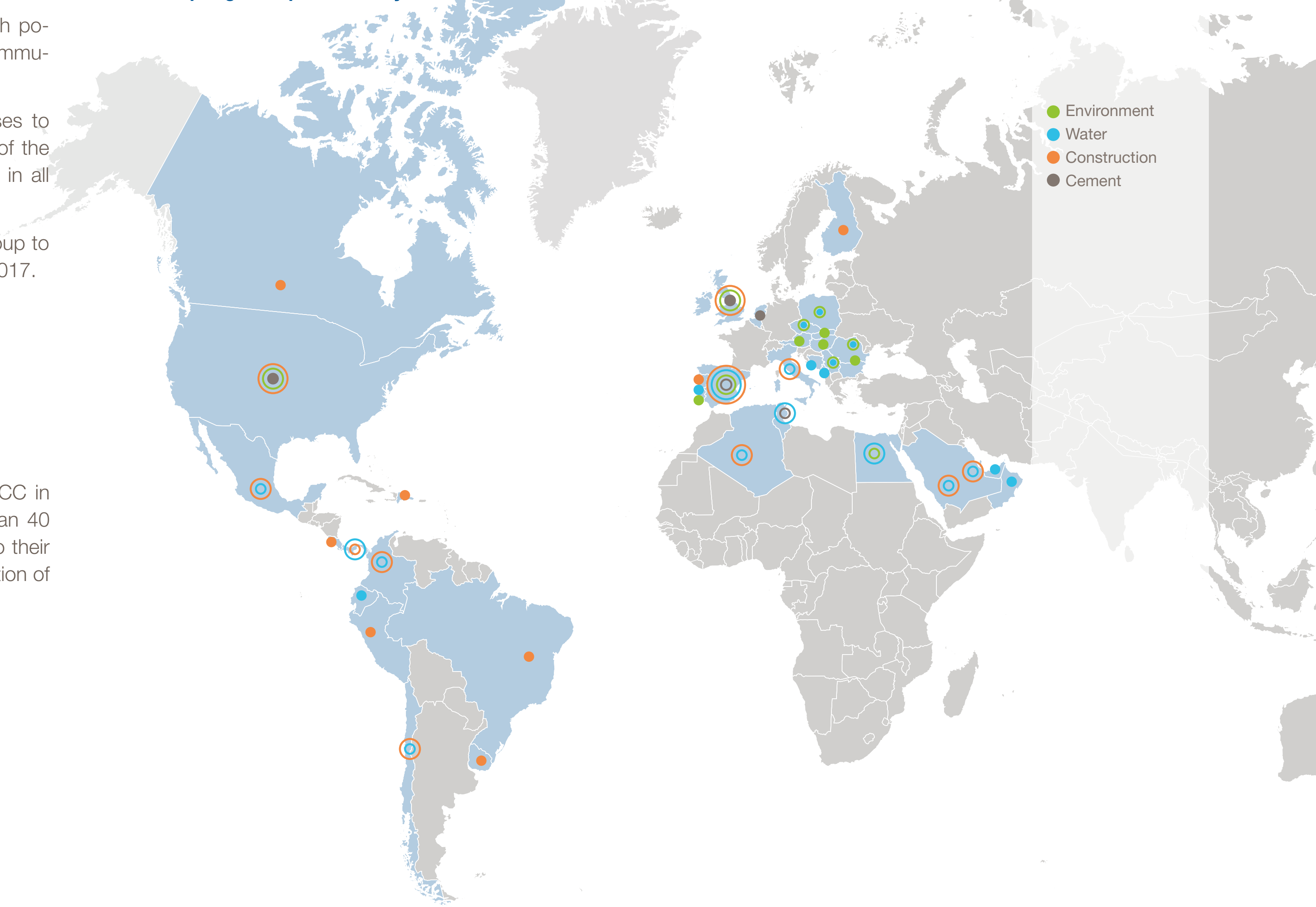
International expansion and local presence

The global and international expansion witnessed by FCC in recent years today sees the Group operate in more than 40 countries which are considered strategic markets due to their growth potential, both in terms of activity and sophistication of the type of services required.

International footprint

40 countries

FCC Group's global presence by business area



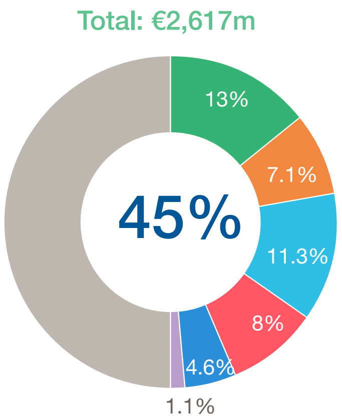
FCC Group provides services in countries with stable markets. Currently, 45% of the Group's invoicing results from international markets. Growth in international activity in the last decade has been focused on Latin America, the United States and the Middle East.

Growth and consolidation in emerging markets

The growth of the international project portfolio in emerging markets, where the development of the middle class boosts demand for infrastructure and the development of services linked to socio-economic growth, has enabled the Group to compensate for the decline in activity in more mature markets, raising the countercyclical business profile of the company.

In this sense, the internationalisation plans such as a regional risk diversification strategy for FCC Environment and FCC Aqualia have been promoted which have resulted in various contracts awarded in the United Kingdom, Egypt, Czech Republic, Austria, Romania and the United States. FCC Construcción has developed a selection plan for major international projects of interest to the Group, such as the construction of the New Airport Terminal in Mexico City, the rehabilitation of three new railway sections in Romania, the extension of section I of the Pan-American Highway in Panama, or the project to improve the "Los Chinamos-El Ayote" highway in Nicaragua.

International revenues in 2017



- 13.0% United Kingdom **€755.1m**
- 7.1% Latin America **€414.5m**
- 11.3% Middle East and Africa **€653.9m**
- 8.0% Europe (Other) **€463.1m**
- 4.6% Czech Republic **€264.4m**
- 1.1% US and Canada **€65.7m**

Middle East and North Africa (MENA)
Opportunities for development and the operation of infrastructure.

Latin America
Opportunities for development and the operation of infrastructure.

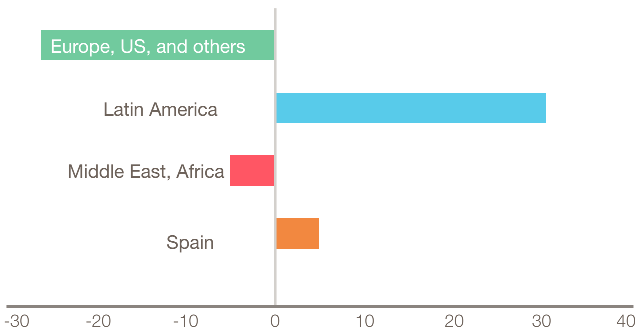
Europe
Conservation and renovation of ageing infrastructure
Environmental services related to efficient waste management
End-to-end water management, waste to *energy services*.

Distribution of revenue by significant market

FCC Environment, present in more than 5,000 municipalities where it improves the welfare of more than 59 million citizens, is one of the best examples of local integration and specialisation of services in each territory.

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

Change in international revenues (%). 2016/2017



In terms of the International division, the strategic priorities for 2018 focus on improving efficiency, reducing operating costs and structural costs, renewing existing contracts and business operations and moderate growth.

This year, the Industrial Waste division, will continue to focus on the efficiency of operations and growing our business. The incorporation of new technologies will allow FCC Environment to consolidate its position in the recycling and waste recovery markets, as that of a key player in the circular economy. The US market continues its good expectations for the development of our activities in the Urban and Industrial Environment.

Aqualia's activity aims to provide the best service to citizens through efficient and sustainable use of the resources and materials employed throughout the process. To achieve this, one of its strategic priorities is investment in both technological and operational innovation, which allows the business to face these challenges, especially in environments with water stress, and maintain quality indicators at maximum levels.

This strategic priority is clearly aimed towards the end customer, with particular attention on the quality of the product supplied and the development of a multi-channel system to offer full interactivity of the communications channels (in-person, telephone, internet) to bring ourselves closer to our customers.

With almost 23% coming from international markets, total revenues rose in 2017 to 235 million euros. The management of large hydraulic infrastructure in the Middle East and Latin America has earned the company the recognition of prestigious entities in the ambit of water management.

FCC Construcción, with a turnover of 1,681.5 million euros in 2017, has a significant presence in Latin America, the Middle East/North Africa, and also in the US. The high level of specialisation of the professionals and experience in the end-to-end management of infrastructure has allowed FCC to lead large consortia in complex works, especially in Latin America and the Middle East; strategic markets for the sector. Likewise, its vocation is also the stable presence in the different countries where it acts directly or through its local companies, subsidiaries and investees.

The activity of Cementos Portland Valderrivas, whose turnover amounted to 340.4 million euros in 2017, is mainly from operations in two geographical areas: Western Europe (Spain and United Kingdom) and Africa (Tunisia). In this second one, it holds a leadership position where it operates a cement factory with a capacity of two million tonnes, the largest in the country. Its strategic priority is to maintain the leadership position in these areas where it invests in the most advanced technologies to seek economic optimisation in all its production processes.

Enhancing synergies and greater operating efficiency

Enhancing cooperation between FCC Group's different business areas is an essential goal for the company. The identification of synergies between the different activities and the centralisation of processes common to all the areas eliminates duplication and optimises the use of up-to-now underutilised resources whilst covering the markets in which FCC is present effectively, working as a single large global company.

The search for synergies between the businesses and efficiency revolves around three axes:

Simpler and more efficient operating models

Thanks to the extensive experience and professionalism of the FCC team

Innovation and technological ability applied to operations

To improve the quality of life of citizens

The integration of sustainability into the processes

In all its dimensions: Quality, Health and Safety and Environment

To achieve this successfully, FCC has a series of strengths to assist the company in this task, such as: its more than one hundred years of experience, its commitment to developing communities and the professionalism and human value of its team.

Simpler and more efficient operating models

During 2017, the Group moved forward in the definition of new operating models aimed at increasing the productivity and competitiveness of the company's business through simpler organisational structures which allow greater flexibility and speed in the decision-making process, fully directed towards the improvement of operational results and strengthening control over the production chain.

Operational optimisation all business areas

Spending constraints must remain an essential management pillar at FCC Group in order to fully achieve efficiency in the company through initiatives aligned with the current level of demand.

The increase in the processes and the focusing of efforts on more profitable operations have together contributed to a 16.8% fall in overheads in 2017.

Efficiency in the processes

16.8% fall in overheads in 2017

Innovation and technological ability applied to operations

FCC Group concentrates its innovative effort on the development of solutions which respond to the daily needs of customers and contribute to improving the quality of life of the societies in which it operates, from the technical knowledge and experience which support the company's journey.

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

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

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

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

Integrating sustainability in the processes

For FCC, sustainability is an attribute to its way of working which incorporates quality in the service, continuous improvement, the safety of employees as a priority and environmental care as a differential value which contributes to generating efficiencies and to responding to growing demands from customers and regulators.

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

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

Financial discipline

A priority for FCC Group, seen in a set of actions to improve the structure of capital and debt consolidation and other cash generation and financial cost constraint measures which have permeated all businesses through to the daily operations. FCC Group is making steady progress, strengthening its operational capacity and the economic potential which has endorsed the company since its formation more than a century ago.

Noteworthy is the Group's financial structure being strengthened through the two capital increases carried out in previous years by the Group's parent company, Fomento de Construcciones y Contratas, which allowed for a reduction in net financial debt. In addition, the effective date of FCC's syndicated loan novation in June had a very positive effect on the generation of cash, supposing a milestone in the company's financial optimisation process. Also, the partial repayment of the Group's corporate debt with recourse, it has reduced significantly, by 44.9% compared to its balance at the close of 2016. Both operations have meant a significant reduction in financial costs, with longer maturities (more than double) and a reduction of financial costs by more than half.

However, the consolidated net interest-bearing debt decreased 0.3% compared to 2016 to a close in December at 3,579.5 million euros, a reduction of 11.4 million euros.

Risk management

Risk environment and the Group's risk management policy

FCC Group, with a significant presence in the international arena, carries out its activity in different sectors, socio-economic environments and regulatory frameworks, with their being risks of various kinds, which are inherent to the businesses, sectors and locations in which the company operates.

The objective of FCC Group's Risk Management Policy is to implement, develop and continuously improve a framework and a structure which integrates the risk management process into the organisation's Corporate Governance, in the preparation of the strategy, in the planning, management and information processes which form part of the Group's values and culture, affording a reasonable degree of security regarding the achievement of the strategic, financial, efficiency and effectiveness objectives in the operations, and compliance with legislation and reliability of information.

End-to-end risk management

The End-to end Risk Management is based on the FCC Group policy to continuously generate value in an uncertain environment. To maximise this value, the Management establish a strategy and objectives to determine the optimal balance between growth and profitability and the associated risks, in addition to deploying effective and efficient resources in order to achieve those objectives.

Risk Management is a process carried out by the Board of Directors, Senior Management and the rest of the organisation, applicable to the definition of strategies throughout the group and designed to identify potential events which could affect the organisation's objectives and to manage uncertainty within the accepted risk level.

FCC aligns accepted risk and the strategy

Definition of strategies	Risk of risks	Mitigation of risks	Monitoring of risks
Strategic objectives	Risk maps specific for business unit and corporate functions, assessed in terms of criticality	Control matrices and assigning responsibilities Action plans and response to deficient control environments and materialised risks	Risk accepted

Risk Management of Projects

FCC's Risk Management model is ever present through the life of the project, from the bidding stage up to the conclusion of its delivery, operation or maintenance, always being aware that the risk may be of a difference nature or probability of occurrence.

In the bidding stage, the business areas focus their attention on the technical and economic feasibility of the project, considering both the specifications and the technology required by the customer, the requirements of those providing the financing and the characteristics of the market where the project is developed, as well as for instance legal security and political and socio-economic stability, assessing the associated risks step-by-step.

In the delivery stage, the company must especially heed to the operational risks, which require comprehensive planning and ongoing supervision to guarantee that the conditions agreed to in the contracts are met. Risks deriving from relations with public administrations, customers, partners, suppliers and communities within the operating environment are also managed.

The three risk management levels in FCC Group

The model used by FCC is based on three independent risk management levels but acting jointly to maximise their efficiency and enhance their effectiveness.

First level

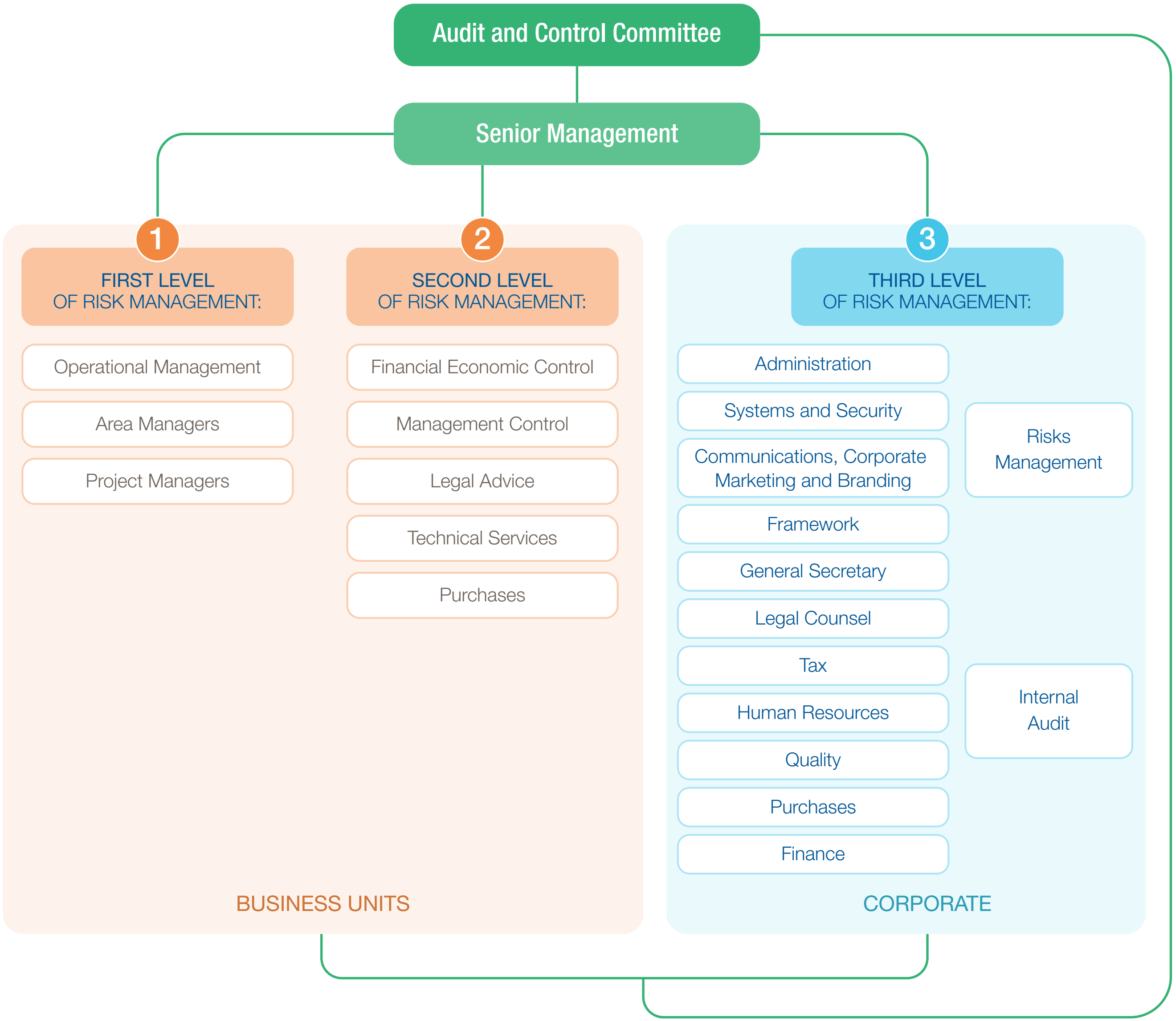
The first level is found in the operational lines of the business unit which acts as a risk generator and they have the responsibility to manage, monitor and report the risk generated.

Second level

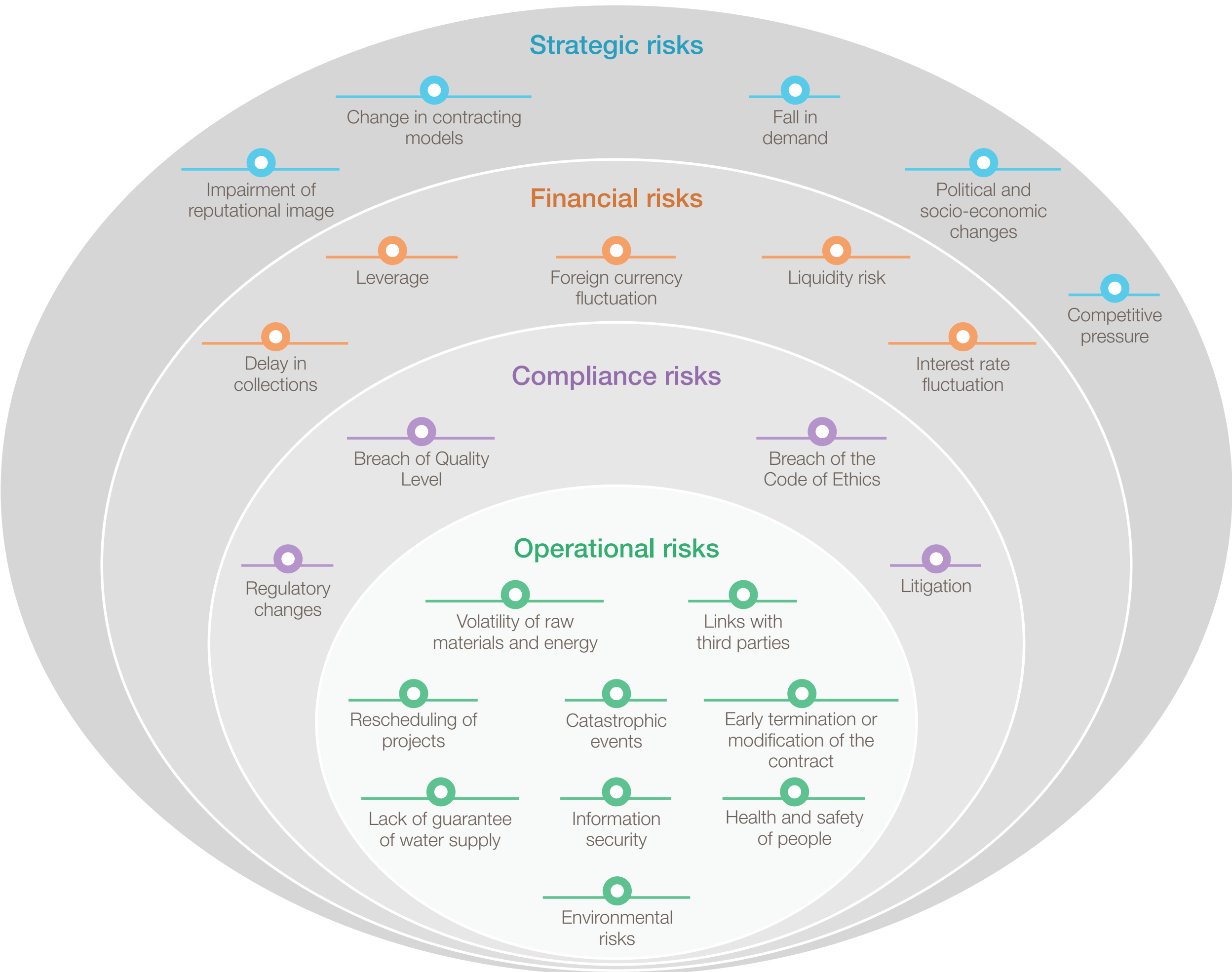
The support, risk control and risk supervision teams within the business unit itself, which are in charge of overseeing the effective control of risks and ensuring that they are managed according to the risk appetite that is assumed. The Risk Committee is responsible for implementing the Model at this level.

Third level

This is made up of corporate functions. Risk Management is responsible for coordinating, supervising and monitoring the Model whilst Internal Audit acts as the final control layer, contributing to the development of internal control for the appropriate management and minimisation of risks.



Main risks which may prevent FCC Group achieving its objectives



Strategic risks

Considered key for the organisation and hence managed on a proactive and priority basis. These risks, should they materialise, seriously compromise the achievement of the strategic objectives.

Financial risks

Associated with the financial markets and with the generation and management of cash.

Compliance risks

Affect internal and external regulatory compliance.

Operational risks

Related to operations management and the value chain of each one of the business areas and the protection of assets in the case of possible losses.

Reporting risks

Refer to internal and external financial and non-financial information and comprise established aspects of reliability, opportunity and transparency.

Response plans and supervision of the main risks

Once the risks are identified and prioritised, the Risk Management System establishes control mechanisms through the Risk and Control Matrices, whereby, in conjunction with the key controls designed to prevent and mitigate the risks, define those responsible for these control activities. For those risks exceeding the accepted level, the Risk Management System establishes specific Management Action Plans, designed considering their operational feasibility, their possible effects, as well as the cost-benefit ratio of their implementation.

Strategic action plans.

Noteworthy during 2017 were the successful completion of the novation process of a large part of the Group's financial debt, the strengthening of internationalisation plans, as well as the use of synergies between the activities of different business areas.

Specifically, the plan to internationalise FCC Environment and Aqualia as a strategy to diversify regional risks, which has resulted in several contract awards in the United Kingdom, Egypt, the Czech Republic, Austria, Romania, and the United States. FCC Construcción, for its part, has developed a selection plan for large international projects of interest to the Group.

The plan to reduce competitiveness risks and increase the level of innovation has provided FCC with several achievements in 2017, both nationally and internationally, such as the ENR Global Best Projects award; the ACHE award in the bridge category; or the Gustav Lindenthal Medal, all of them for the Almonte Viaduct (Caceres) ; the New Civil Engineer Tunnelling Award for the Túneles de Bolaños (Ourense) project, both projects in Spain; the Technological Innovation Award granted by Cemex for the Cañas-Liberia motorway (Costa Rica); the ISO 14001 Certification of Environmental Management in Caltaqua (Italy); the award to FCC Environmental Services for the best recycling plant in the US, awarded to the recycling plant in Dallas; or the commissioning of the first 100% electric large tonnage vehicle for the maintenance and cleaning of sewage networks

Regulatory and contractual compliance

In relation to the risks of regulatory compliance and compliance with contractual requirements, FCC business units have a Quality Assurance System conforming with international standards. On the other hand, it is worth mentioning, as an example, the existence of specific plans such as the Special Plan for the Treatment of Accident Risks in the Construction area which brings together a set of measures applied on construction sites that could cause very severe accidents and social repercussions and could cause serious economic losses due to defects in the project design, implementation or contract management. This plan is regularly reviewed. FCC also has a certified Occupational Risk Management System for the business areas.

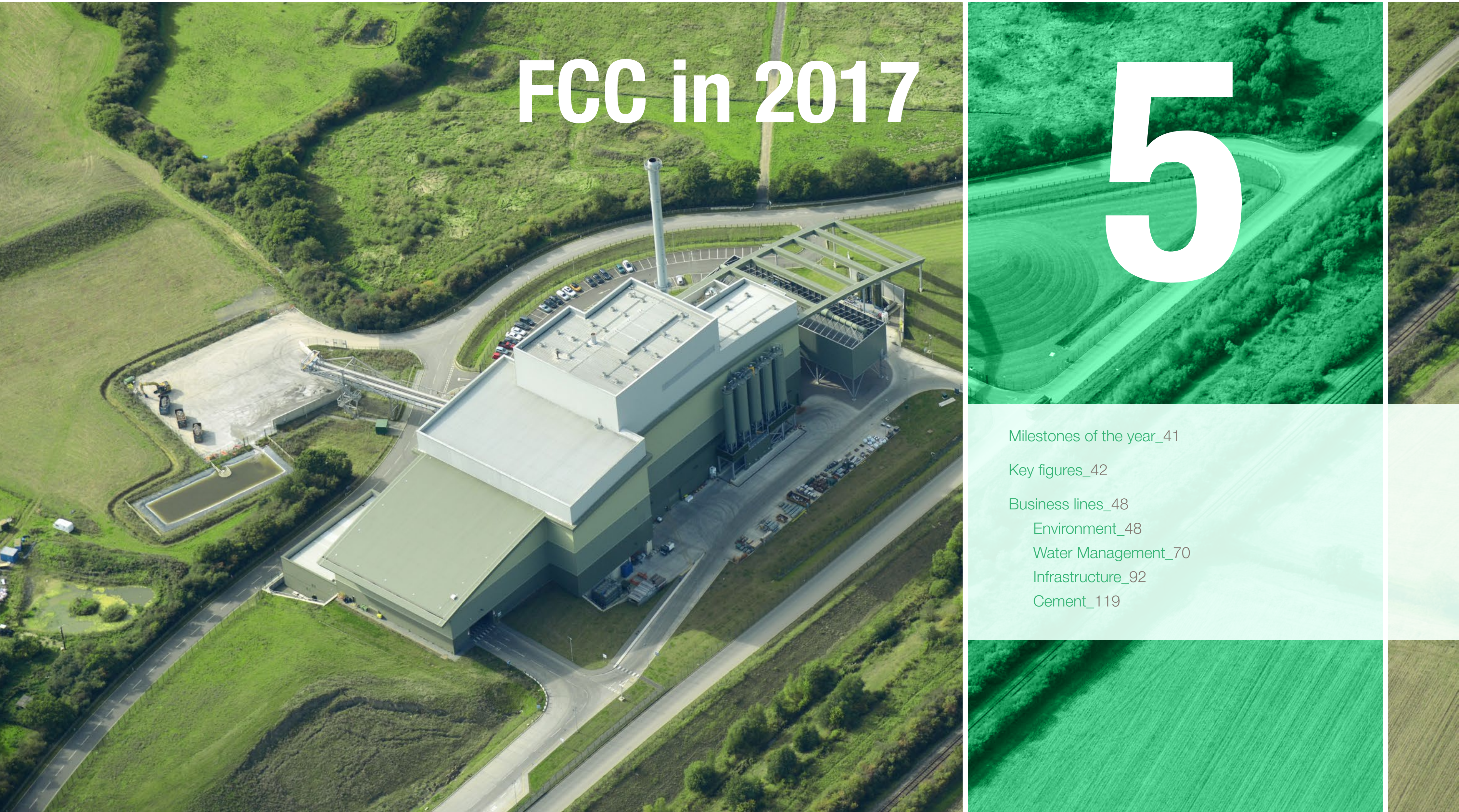
In response to environmental risks and risks to comply with environmental regulations, all business units employ an environmental management system in accordance with international standards and, specifically, some of these units are participants in the European Commission's Eco-Management and Audit Scheme.

Control of financial risks and information security

In regard to financial risks, their control is carried out by specialised departments in the business units, along with the General Administration and Finance Management, whose tasks include taking decision on the mechanisms for transferring risk (insurance) and the management of equity risk.

To deal with the risks related to information security, FCC Group has an Information Security Management System designed to conform with international standards and which has third-party certification in certain business areas.

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



FCC in 2017

5

Milestones of the year 2017

January

- FCC Environmental Services opens the new Materials Recycling Plant in Dallas.
- The consortium Grupo Carso, in which FCC is part, was awarded the construction of the new terminal building in Mexico DF airport.
- Aqualia renews the award to become a private partner of the mixed capital company in El Vendrell (Tarragona).

February

- Aqualia closes a successful participation in the "Saudi Water & Environment Forum 2017" held in Riyadh (Saudi Arabia).
- Aqualia's 2nd Mentoring Programme closes a new edition giving impetus to the professional development of women with high potential in the company.
- FCC Environmental Services wins contracts for the transport, treatment and commercialisation of recyclable waste from the Texan cities of Mesquite and Garland (USA).
- FCC Industrial receives the national prize of the "European Business Awards".

March

- FCC renews its commitment to the Diversity Charter.
- The consortium Aguas de Bilbao Bizkaia awards Aqualia the operating, maintenance and management of drinking water distribution networks for 132,000 inhabitants of the metropolitan area of Bilbao.
- Aqualia launches the XV edition of the "International Digital Children's Contest" on the occasion of "World Water Day", with the aim of raising awareness among young people about the value of the water service.
- FCC Environment wins the conservation and maintenance contract for parks and gardens in Malaga, as well as the cleaning contract for municipal buildings in Almeria.
- FCC Industrial Waste wins the tender for the environmental management of the Airbus Group plants in Spain
- The building of the National Court, built by FCC Construcción, gets its Universal Accessibility certification.
- FCC Construcción participates in the "West Coast Rail Conference 2017", in Los Angeles (California).

April

- New contracts for the industrial treatment plants of the companies Central Lechera and Cosentino in Spain.
- The New Cairo (Egypt) treatment plant project, developed by Aqualia, accepted by the UN as an international reference in public-private partnership for the water management sector.
- Opening of the Coatzacoalcos tunnel (Mexico), built by FCC Construcción.
- FCC Construcción wins the award for three new railway sections in Romania.
- FCC Environment wins the tender for the management service of the Environmental Centre of Montalbán (Córdoba).

May

- Anniversary of the launch of the "Move to e-invoicing" campaign.
- Aqualia presents its most efficient operation and maintenance (O&M) solutions in the international event "Oman Energy & Water Exhibition and Conference" (Oman).
- The Down Syndrome Foundation of Madrid recognises the work of Aqualia in helping young people with intellectual disabilities find work with the "Stela Prize".
- FCC Construcción showcases innovation in Spain's capital during "Engineering Week".
- FCC Construcción completes the construction of the highest indoor climbing wall in Spain.
- FCC Industrial completes the tests of the 500 kV overhead line of the Nueva Esperanza project (Colombia).
- The Foxhall household waste recycling centre and the Greatmoor energy recovery plant, recognised in the national awards for excellence in waste management and recycling in the United Kingdom.

June

- Successful completion of the renewal process of a large part of FCC Group's net interest-bearing debt.
- Start of the campaign to promote the consumption of tap water with the Aguas de Bilbao consortium.
- Participation of Aqualia in "Water Italy 2017", through the Italian subsidiary Caltaqua.
- The Minister of Public Works visits the connection work of the Mediterranean High Speed Corridor.
- The Duke of Gloucester opens the EnviRecover waste energy recovery centre for Herefordshire and Worcestershire, developed by FCC Environment in the United Kingdom.
- FCC Environment celebrates 25 years of the LIFE programme with a practical demonstration of the "MethaMorphosis" project at Ecoparc2, in Barcelona.
- FCC Environmental Services wins the contract for the collection and treatment of all residential and commercial waste in the Texan city of Rowlett (USA).
- The ARSI project to inspect sewerage networks with drones, in which FCC Environment participates, recognised by Eurecat as a "Significant Project".

July

- FCC Construcción finishes placing the Wanda Metropolitan membrane.
- FCC Industrial renews and extends Iberdrola's distribution, measurement and meter reading contract.
- FCC Environment Austria renews and expands its cooperation with ARA, the state entity which deals with recycling in Austria.
- FCC Environment wins the collection and transport of urban waste tender in Chipiona (Cádiz), and rubbish collection and street cleaning in Fuente Álamo (Murcia).
- FCC Environment and Plena Inclusión Aragón sign a collaboration agreement for the inclusion of people with intellectual disabilities.
- FCC Environment signs a collaboration agreement with the "Norte Joven" Association for the integration of people in vulnerable situations into the labour market.
- The organisation "Forética" recognises the communication and awareness work of Aqualia in the Balearic Islands, especially on the island of Ibiza.
- Strengthening of Aqualia's positioning in the digital relationship with citizens, with more than 30 local websites that it maintains linked to its end-to-end management contracts being updated.

August

- FCC Construcción receives the "ENR Global Best Project" award for the Almonte Viaduct.
- FCC receives a visit from the deputy governor of Riyadh to the Metro stations.
- Aqualia implements the 2nd phase of the remote reading service in Sta. Eulària des Riu (Ibiza).

September

- Pablo Colio, new CEO at FCC.
- The Wanda Metropolitan, built by FCC, opens its doors.
- FCC awarded the renovation works of the Calp-Teulada section of Line 9 of the Alicante Tram.
- FCC Environment achieves four major contracts in industrial and land recovery services in the Czech Republic.
- FCC Environment will provide cleaning and waste collection services for Bilbao and will serve Mercabilbao for the next four years.
- FCC Environmental Services offers its support to the inhabitants of Houston and Polk County (USA) after hurricanes Harvey and Irma
- Signing of the contract for the construction of the Abu Rawash treatment plant in Egypt.
- The Ministry of the Environment validates Aqualia's Carbon Footprint registration certificate during 2016, in its fight against climate change.

October

- FCC Construcción completes the Mersey bridge in the United Kingdom.
- FCC Construcción, short-listed to participate in the tender for line 3 of the Panama metro.
- FCC Environmental Services' recycling plant in Dallas (Texas), recognised as "the best recycling facility of the year" by the National Recycling Association of the USA.
- FCC Environment, recognised by the Integra Foundation for its commitment to assisting vulnerable groups enter the labour market.
- FCC Environment wins the prestigious "Sword of Honour" award in the United Kingdom for excellence in the management of health and safety at work.
- Aqualia, chosen to manage the new Burgos treatment plant, designed to treat the wastewater of more than 1,000,000 equivalent inhabitants.
- The city of Bucharest selects the consortium formed by Aqualia, FCC Construcción and SUEZ, to carry out the modernisation and expansion of the Wastewater Treatment Plant (EDAR) in Glina (Romania).

November

- Matinsa (FCC Industrial) obtains the contract for the fire prevention and extinction service in the East Zone of the Community of Madrid.
- FCC Construcción manufactures "U" beam number one thousand in Line 2 of the Panama Metro.
- FCC Construcción and CICSA obtain the contract to expand Via Interamericana Tramo I (Panama).
- FCC Environment celebrates more than 40 years committed to electric mobility in municipal urban services.
- FCC Environment and FCC Construcción participate in the International Smart Cities Congress in Barcelona.
- The Ministry of Health, Social Services and Equality renews Aqualia's "Equality in Business-DIE" award for three more years.
- Aqualia repurchases its 49% shareholding in "SmVak", a subsidiary of the company in the Czech Republic from MITSUI.

December

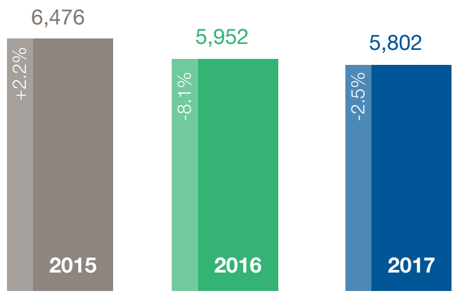
- FCC Environment, awarded the Contract for the Collection of USW, Road Cleaning and Maintenance of Green Areas of Jaén.
- FCC Environment wins the tender to manage the cleaning and maintenance service of parks and gardens in Santa Coloma de Gramenet (Barcelona).
- FCC Environment wins tender for the street cleaning and waste collection of El Puerto de Santa María (Cádiz).
- FCC Construcción wins the tender to improve the "Los Chinamos-El Ayote" road, in Nicaragua.
- The Wanda Metropolitan, built by FCC, awarded as "Best Public Municipal Work 2017".
- FCC obtains the "Substantial Performance" certificate in the project: expansion of the Toronto-York Spadina Metro, in Canada.
- Aqualia, the first national water operator to certify the Conciliation with the "efr" stamp.
- Aqualia, chosen as best company of the year for its communication.

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

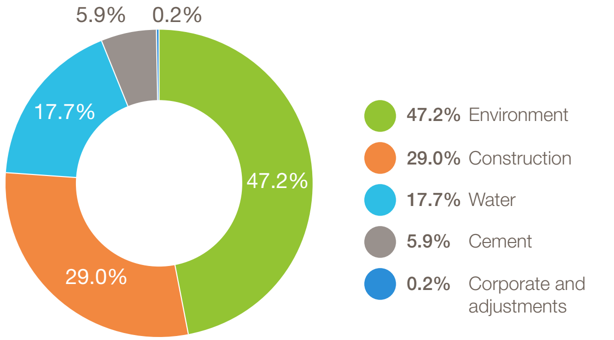
Group | Environment | Management | Infrastructure

Key figures

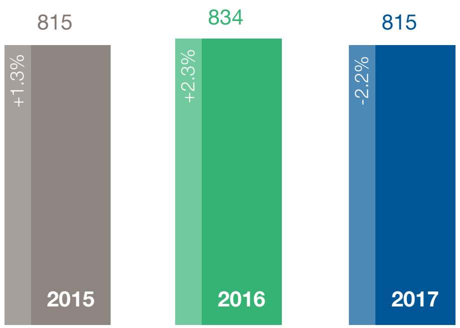
Revenue. Millions of euros



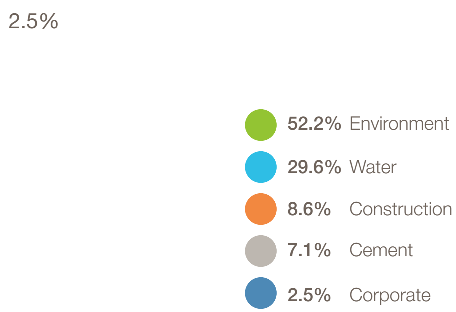
Revenue 2017 by activity



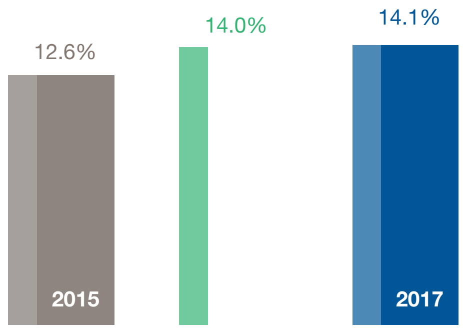
EBITDA. Millions of euros



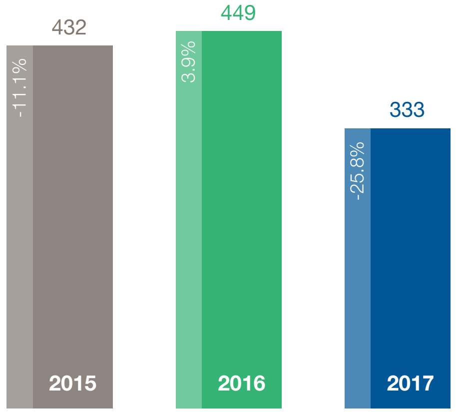
EBITDA 2017 by activity



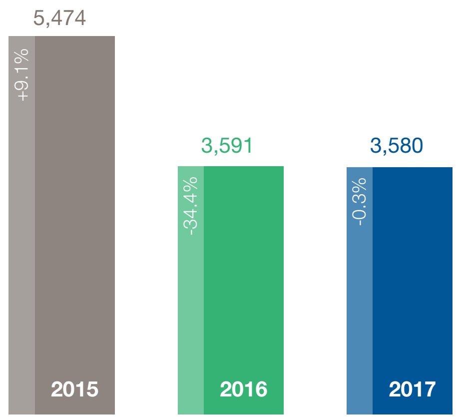
EBITDA margin. Millions of euros



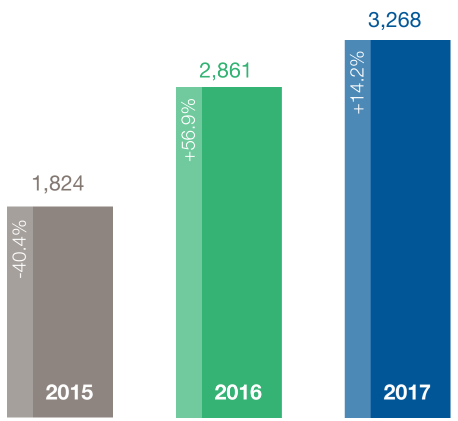
Investments. Millions of euros



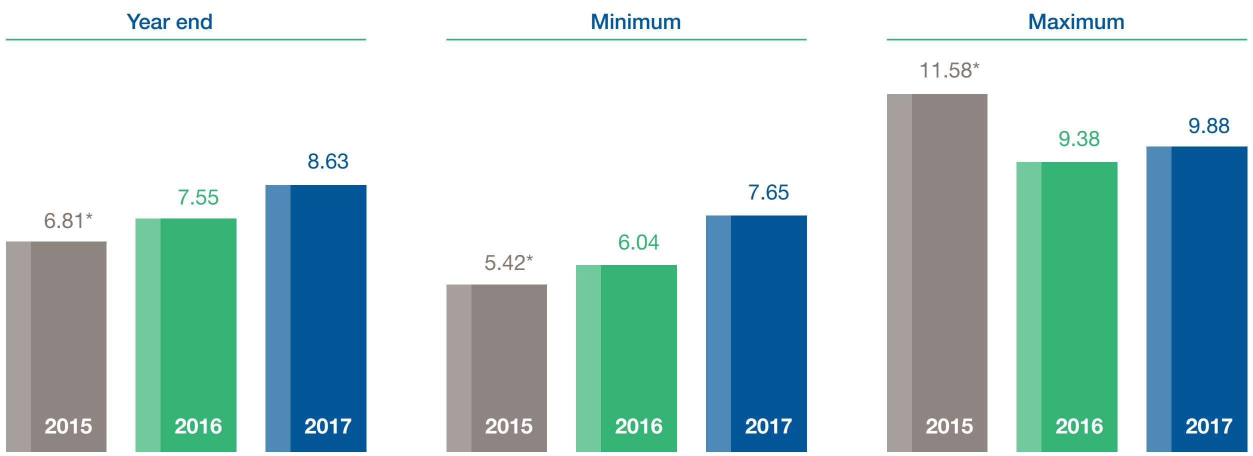
Net financial debt. Millions of euros



Market capitalisation. Millions of euros

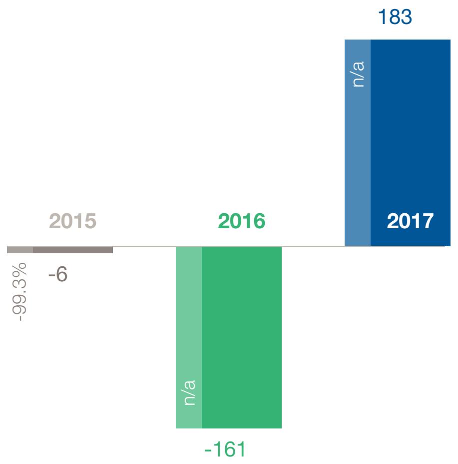


Share price. Euros

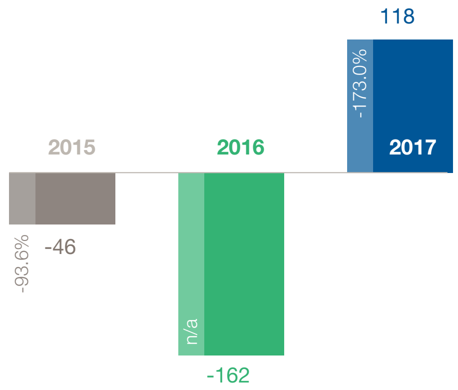


*Adjusted for 2016 capital increase

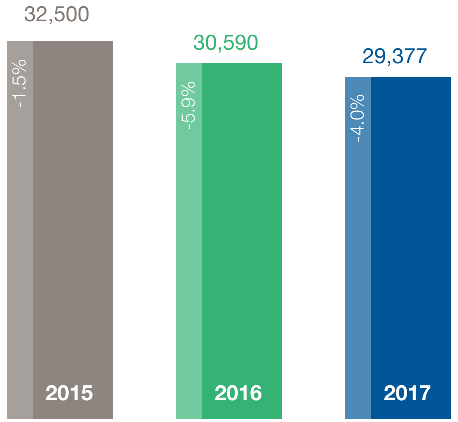
Earnings before taxes. Millions of euros



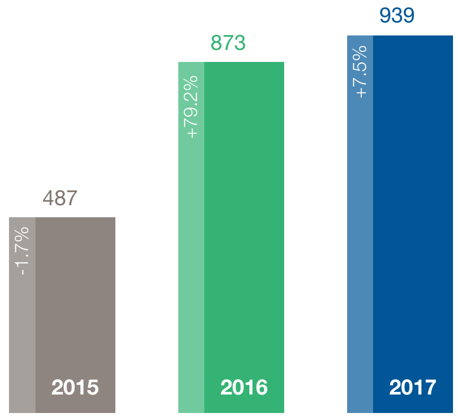
Earnings attributable to the Parent. Millions of euros



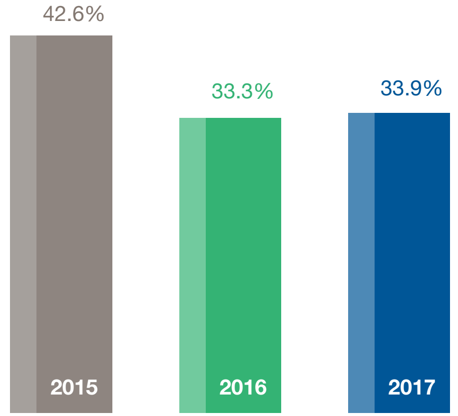
Portfolio of works and services. Millions of euros



Net equity. Millions of euros



Financial leverage. Net debt / Total assets



Analysis of the company's stock market information

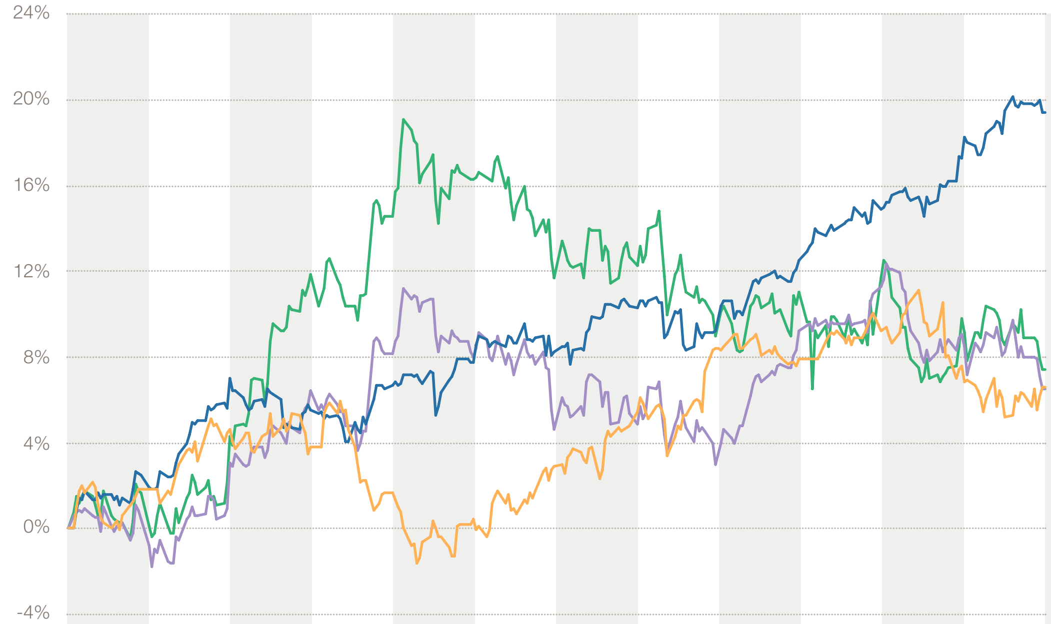
Evolution of the stock market and share price

The IBEX saw out the year 7.4% up, remained above the psychological 10,000 point barrier and showed its best result since 2013 albeit significantly below an annual revaluation which reached almost 20% in May, at 11,100 points. Investors adopted a wait-and-see approach in the face of the political crisis in Catalonia, which put the brakes on the index in the final part of the year.

The best performing index of the main European markets was the FTSE MIB with an increase of 13.6% due to the push from the financial sector; followed by the DAX (+12.5%) and the CAC 40 (+9.2%). In the year in which the United Kingdom marches towards Brexit, the FTSE 100 closed at historical maximums and achieved returns of 7.6% ahead of the IBEX 35.

The increase was even greater in the United States where its indices closed at maximums; the Nasdaq increased 29%, the Dow Jones by 25% and the S&P 500 by 20%. Good macroeconomic data and the expected fall in taxes encouraged investors to continue betting on the stock markets. Geopolitical pressures in North Korea had a one-off effect on the markets.

Annual evolution of the S&P 500, IBEX 35, EURO STOXX 50 and Shanghai Composite



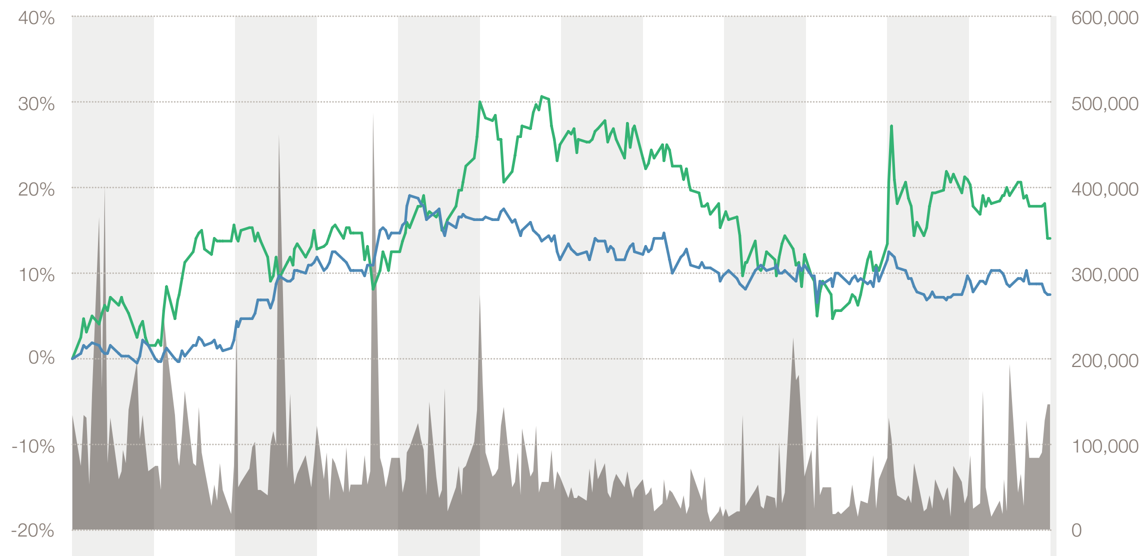
	2016	January	February	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dic.	2017
Eurostoxx 50	0.7%	-1.8%	2.8%	5.5%	1.7%	-0.1%	-3.2%	0.2%	-0.8%	5.1%	2.2%	-2.8%	-1.8%	6.5%
SH COMP	-12.3%	1.8%	2.6%	-0.6%	-2.1%	-1.2%	2.4%	2.5%	2.7%	-0.4%	1.3%	-2.2%	-0.3%	6.6%
S&P 500	9.5%	1.8%	3.7%	0.0%	0.9%	1.2%	0.5%	1.9%	0.1%	1.9%	2.2%	2.8%	1.0%	19.4%
Ibex 35	-2.0%	-0.4%	2.6%	9.5%	2.4%	1.5%	-4.0%	0.6%	-1.9%	0.8%	1.4%	-3.0%	-1.6%	7.4%

In regard to the market performance of FCC's shares in 2017, the price increased 14.2% compared to the 11% seen in 2016, and above the 7.4% recorded by the IBEX 35.

The maximum prices was €9.879 per share on 23 June and the minimum was €7.648 per share on 27 January 2017.

FCC ended the year with a market capitalisation of 3,268 million euros.

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



	January	February	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dic.	2017
% Chg. FCC	2.0%	13.4%	-2.6%	-0.2%	15.5%	-3.8%	-1.3%	-5.1%	-4.2%	7.5%	-0.2%	-5.2%	14.2%
% Chg. Ibex 35	-0.4%	2.6%	9.5%	2.4%	1.5%	-4.0%	0.6%	-1.9%	0.8%	1.4%	-3.0%	-1.6%	7.4%
% Chg. Sector	-2.3%	5.5%	6.2%	4.5%	3.9%	-4.2%	-4.6%	1.9%	-2.7%	5.8%	-2.2%	2.0%	12.1%

Trading

The total volume traded this year was more than the 19 million shares, with a daily average of 75,705, clearly lower than the daily average of 2016, conditioned by the reduction of the free float to 13% and by the type of long-term investor, reflecting the profile of the majority shareholder and therefore a very low turnover ratio.

Dividends

Since 2013, FCC's Board of Directors has maintained the policy of not paying out dividends.

This decision, unchanged in 2017, is framed within the strengthening process that started in 2013, which seeks to increase operational efficiency and to strengthen the balance sheet and will have to be ratified by the annual General Meeting of Shareholders.

Relevant events

This information can be found at the following address:

http://www.cnmv.es/portal/Consultas/DatosEntidad.aspx?nif=A-28037224&lang=en

Treasury Stock

At 31 December 2017, FCC Group directly and indirectly holds a total of 230,100 company shares, with which the treasury stock position is only 0.06% of the share capital.

Shareholders

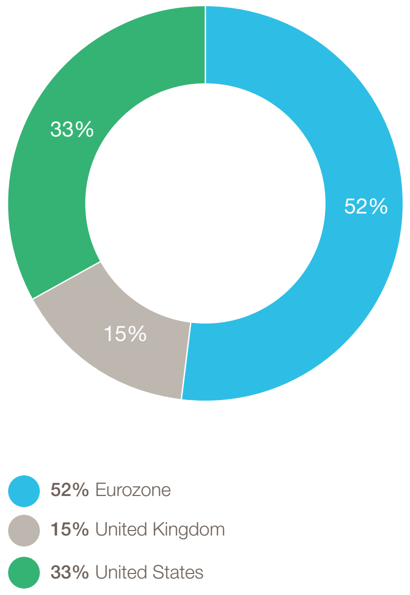
FCC, S.A.'s shares use the book entry system and are listed on the four Spanish stock exchanges (Madrid, Barcelona, Valencia and Bilbao). According to the information on file in Spanish National Securities Market Commission (CNMV) records, on the closing date of the year the main shareholders in the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

Main Shareholders	No. of Shares	% of Share Capital
Inversora Carso, S.A. de C.V.	231,504,295	61.11%
Esther Koplowitz	75,807,584	20.01%
Cascade Investment, LLC.	15,099,985	3.986%
Bill & Melinda Gates Fundation Trust	6,629,446	1.750%

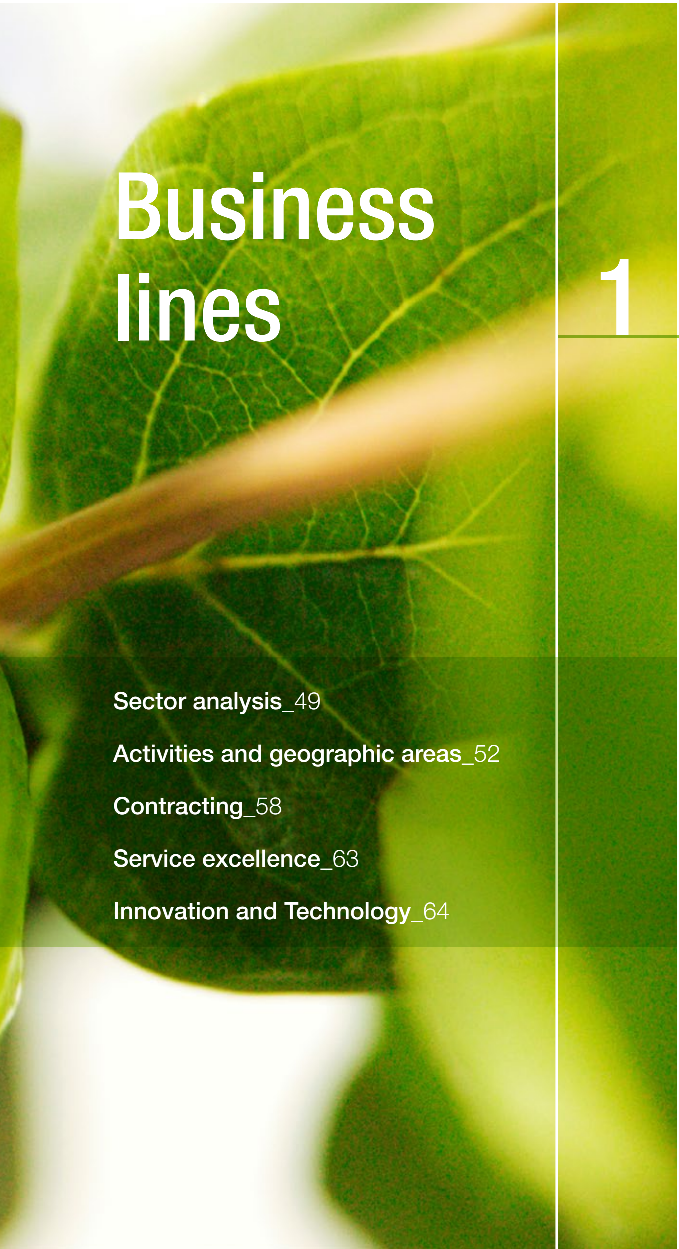
The free float of FCC at year-end was 13%. Its estimated distribution being: Spanish minority shareholders, 4.8%; Spanish institutional investors, 2.3% and foreign institutional investors, the remaining 5.9%.

The composition of the free float (as a percentage), based on the origin the shareholders is as follows:

Free float structure December 2017 (in %)



Source: Company's own.



Business lines

1 Environment

The **revenue** of the area **grew 0.29%**, reaching **2,736 million euros**, and Pre-tax Profit increased to **132.6 million euros**, which represents an **increase of 6.68% on 2016**, and goes from 4.56% to **4.85% of revenues**

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

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

In 2017, revenues in this area grew 0.29% to reach 2,736 million euros and the Pre-tax Profit grew to 132.6 million euros, which represents a 6.68% increase compared to 2016

FCC Environment manages 24 million tonnes of waste annually and produces more then 2.9 million tonnes of recyclables and 600,000 tonnes of fuel derived from waste (WDF). It has more than 700 waste management facilities in operation, of which nearly 200 are environmental facilities used for treating and recycling wastes, including 10 waste to energy projects with an annual capacity of 2.6 million tonnes and 300 MW.

Sector analysis

Self-loading, 100% electric waste collection vehicle (Madrid).

Spain Environment

Throughout 2017, budgetary restraints remained in force in town halls and supra-municipal and regional entities. However, a slight improvement has been seen and a return to the technical and quality criteria in the calls for tenders. In spite of this situation, annual revenue was 1,466 million euros, which supposes an increase of 3.27% over 2016, and the services order book stands at 6,040.7 million euros for the activities of street cleaning, the collection, transport, treatment and disposal of waste, the maintenance of green areas, the maintenance of sewage networks, beach cleaning and energy efficiency services, among others.

The need to optimise municipal budgets is witnessing various urban services, until now contracted separately, grouped into larger bids.

On the other hand, the remodelling of waste management master plans in the different autonomous regions represents business opportunities.

The **revenues** of **Spain Environment** reached **1,466 million euros**, which supposes an **increase of 3.27% over 2016**, and **the services order book stands at 6,040.7 million euros**


EnviRecover Energy Recovery Plant in Hereford and Worcester (United Kingdom).

The **revenues** of **International Environment** stood at **1,132.7 million euros** and gross operating profit reached **165.8 million euros**, which represents a slight **increase of 0.18%** compared to 2016 **and 14.64%** in terms of revenues.

International Environment

Environment sector, in the countries where FCC operates, is undergoing a transformation process due to the environmental demands of national governments, driven by European Directives. On the other hand, it is subject to a consolidation process with an increase in concentration and the entry of new players, mainly Chinese companies.

In this context, annual revenues stood at 1,132.7 million euros and the gross operating profit reached 165.8 million euros, which represents a slight increase of 0.18% compared to 2016 and 14.64% in terms of revenues.

A slowdown in economic activity is expected in this sector in the United Kingdom due to budgetary reductions of Public Administrations. In central and eastern Europe, moderate growth is expected with risks of greater state intervention of services in certain countries, such as Hungary.

ECODEAL industrial waste environmental complex. Chamusca (Portugal).

Industrial Waste (Ámbito) and USA

The **annual revenues of Industrial Waste and USA** reached **137.2 million euros**, an **increase of 6.03% on 2016**, and the **gross operating profit of 20.6 million euros** represents an **increase of 25.61%** on the previous year and **15.01%** on revenues.

The production of industrial and commercial waste stabilised throughout 2017 in the Spanish market. This aspect has been noticed in FCC Industrial Waste's own activity with the tonnes managed being stable in almost all the offices, in a context, however, which continues to be characterised by the intense competitiveness established by the waste producers themselves.

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

In Portugal, there is an increase in the tonnes managed largely due to the management of environmental liabilities.

In these circumstances, annual revenues reached 137.2 million euros, an increase of 6.03% on 2016, and the gross operating profit of 20.6 million euros represents an increase of 25.61% on the previous year and 15.01% on revenues.

Activities and geographical areas

Spain Environment

FCC provides environmental services in 3,660 municipalities throughout Spain, serving a population of almost 30 million inhabitants, for street cleaning, the collection and transport, treatment and disposal of waste, maintenance of green areas, maintenance of sewage systems, beach cleaning, and energy efficiency services, among others. During 2017, FCC Environment collected 5.4 million tonnes of urban solid waste and processed over eight million tonnes.

Revenue 2017 Geographic location

25.6% Catalonia	2.6% Galicia
15.8% Madrid	2.3% Balearic Islands
12.1% Valencian Community	2.2% Navarre
8.2% Andalusia	1.9% Asturias
6.9% Basque Country	1.5% Extremadura
5.8% Aragon	0.9% La Rioja
4.9% Castilla y León	0.9% Castilla La Mancha
4.4% Canary Islands	0.4% Melilla
3.5% Murcia	0.2% Cantabria

Inhabitants served. Spain Environment 2017

Waste collection	Street cleaning	Treatment and removal	Garden	Sewerage	Beaches	Fountains	Cleaning of buildings
15,825,094	11,723,892	18,432,411	5,033,099	5,468,723	4,681,704	2,478,914	4,823,179

Municipalities served. Spain Environment 2017

Waste collection	Street cleaning	Treatment and removal	Garden	Sewerage	Beaches	Fountains	Cleaning of buildings
2,001	256	2,724	65	122	114	7	88

Most relevant events in 2017

The city of Bilbao awarding contracts for cleaning, collection and management of Mercabilbao, and cleaning of buildings and municipal facilities

Both contracts represent a joint order book of 216.1 million euros for a period of four years, with the possibility of extending for two more years, and managing a workforce which exceeds 1,300 people. FCC Environment has had a presence in Bilbao since 1972 and serves a population of close to 350,000 inhabitants.

Contract for urban cleaning, waste collection and maintenance of green zones for Jaen city hall

Contract awarded for a 12 year period, representing an order book of 143 million euros, with the possibility of two four-year extensions. FCC Environment had provided services in Jaen since 1985 and serves a population of 115,000 inhabitants with a workforce of more than 310 people.

Management service of the Montalbán Environmental Centre (Cordoba)

The Montalbán Environmental Centre processes all domestic waste, some 184,000 tonnes of differing types, which is produced in all municipals in the province of Cordoba (except its capital), serving a population of more than 468,000 inhabitants. The Centre will manage a workforce of 65 people for a period of four years, with the option to extend it an for an additional two years. It represents an order book of over 14.4 million euros.

Awarding of the waste collection and street cleaning contract from the town hall of El Puerto de Santa María (Cadiz)

Contract awarded for a period of three years and one month, representing an order book of 37.3 million euros, with the possibility of an extension of one additional year. FCC Environment began work in El Puerto in 1980 and currently manages a workforce of more than 240 people dealing with almost 90,000 inhabitants.

The awarding by the city council Las Palmas de Gran Canaria of the contract for Lots I and II regarding maintenance and conservation of green spaces and urban trees as well as the maintenance, conservation and renovation service for playgrounds

These services will be managed for four years, representing a combined order book of 45.1 million euros, with the possibility of an extension of up to two years. FCC had tended the green spaces in Las Palmas since 2004 with a workforce of more than 300 people.

International Environment

FCC is one is one of the leading worldwide groups in the integrated management of urban solid waste and recovery of energy from waste. It applies innovative systems and the cleanest, most-advanced technologies in the provision of quality services that are sustainable over the medium and short-term and adapted to customers' needs. The International Environment division is present in Europe and North Africa and currently provides services in 11 countries: United Kingdom, Austria, Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria, Serbia, Portugal and Egypt. Across these countries, almost 26 million inhabitants in 1,415 municipalities are served, and in 2017 more than 11 million tonnes of waste and 2.3 million tonnes of recovered material and Waste Derived Fuel (WDF) was managed.

Revenue 2017 Geographic location

61.6% United Kingdom
15.2% Czech Republic
11.1% Austria
3.1% Slovakia
3.1% Poland
1.8% Hungary
1.3% Bulgaria
0.9% Egypt
0.8% Romania
0.7% Serbia
0.5% Portugal

Inhabitants served. International Environment 2017

Waste collection	Street cleaning	Treatment and removal	Garden	Sewerage	Beaches	Fountains	Cleaning of buildings
8,245,300	5,451,800	21,380,500	1,235,400	25,000	0	44,000	219,400

Municipalities served. International Environment 2017

Waste collection	Street cleaning	Treatment and removal	Garden	Sewerage	Beaches	Fountains	Cleaning of buildings
1,294	136	1,218	52	23	0	2	18

Most relevant events in 2017 in the United Kingdom (FCC Environment UK)

Start-up of the EnviRecover incinerator in Hereford & Worcester (United Kingdom)

The start-up of the Hereford & Worcester incinerator took place in March 2017. The plant has a processing capacity of 200,000 tpa, will service more than 700,000 inhabitants and generate more then 160,000 MWh per year, the equivalent to that used by 31,000 homes. The plant was formally opened by His Royal Highness the Duke of Gloucester in June 2017.

Construction and development works for the Edinburgh and Midlothian incinerator (United Kingdom)

The development works for the Edinburgh and Midlothian incinerator, whose construction began at the end of 2016, have advanced in both time and term during 2017 and meeting the planned schedule of start-up at the end of 2018. The Edinburgh incinerator has a processing capacity of 155,000 tpa, will service a population of more than 600,000 inhabitants and generate more then 100,000 MWh per year, the equivalent to that used by 22,000 homes.

Most relevant events in 2017 in the CEE (FCC Environment CEE)

Start-up of the processing, transfer and materials recovery plant in Malesice, Prague (Czech Republic)

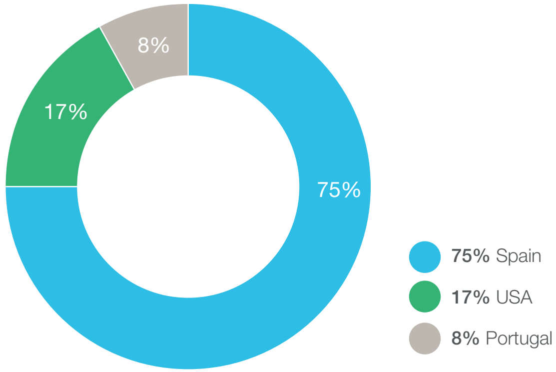
The plant has a processing capacity of 70,000 tpa and began operations in October 2017. The plant is in a strategic location to service the city of Prague, for municipal, commercial and industrial customers. The facilities allow the recovery of recyclable materials for subsequent sale and the transfer of waste to the FCC landfill sites of Uhy and Uholicky in the Czech Republic.

Extension of the biological mechanical processing plant in Zabrze (Poland)

The Zabrze biological mechanical processing plant, with a capacity of 60,000 tpa, has the status of a regional processing plant, and is in the development phase to process and generate 50,000 tpa of fuel derived from waste for later use in cement plants and renewable energy generation plants.

TRISA. Physical and chemical industrial waste processing plant (Tarragona).

Revenue of FCC Industrial Waste by country in 2017



Industrial Waste (Ámbito) and USA

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

Internationally, FCC Industrial Waste has an outstanding presence in Portugal, through its subsidiary ECODEAL, and in the USA, where it carries out the collection and management of urban solid waste and industrial waste.

Most relevant events in 2017

Expansion of the ECOACTIVA secure deposit for hazardous waste from Aragón, in Zaragoza (Spain)

In 2017, the expansion of the ECOACTIVA secure deposit for hazardous waste from Aragón, located in Zaragoza, was completed, extending its useful life by an estimated eight years. In terms of glass recycling, works have been undertaken this year to technologically update the glass recycling facilities of Cadrete (Zaragoza). Specifically, a complementary line has been installed to the existing process for the processing of the glass container waste flow, with the aim of optimising the recovery of the smallest parts of the existing glass in said waste, minimising waste.

Inauguration of the recycling plant in Dallas (Texas)

In January 2017, the recycling plant in Dallas (Texas) was inaugurated. The state-of-the-art plant, built and financed by FCC Environmental Services, the US subsidiary of FCC Group, specialising in environmental services, will also be managed by the company for a period of 15 years, with a possible extension of 10 years. The Dallas recycling centre will process and return all recyclable materials in the city to the market, as well as that of other nearby cities in the state of Texas such as Garland, Mesquite and University Park. This plant has been selected by the National Waste & Recycling Association (NWRA) as the "Best Recycling Facility of the Year 2017 in North America". This award is acknowledgement that the recycling centre has demonstrated its leadership position in key indicators such as innovation, the amount of materials collected and/or processed, the types of materials recovered, the improvements to the site or the sustainability measures adopted.

Collection of urban solid waste from the western part of Polk County (Florida)

In 2017, FCC Environmental Services launched the collection of urban solid waste from the western part of Polk County, in the state of Florida. The maximum duration of the service is ten years and represents an approximate business volume of 96.4 million euros. Polk County is located in central Florida and has an approximate population of 650,000, 375,000 in the West zone awarded to FCC, and is bordered by Orange County, where FCC also collects urban waste over a ten-year period.

Excavation, removal and waste management of an environmental liability in the Barreiro Business Park (Portugal)

ECODEAL, a subsidiary of FCC Industrial Waste in Portugal, executed the removal and management of 17,300 tonnes of waste from an environmental liability deposited in the Barreiro Business Park, located on the left bank of the Tajo estuary, and its subsequent processing. The management of this environmental liability was carried out in the first half of 2017 and generated revenues of three million euros.

Contracting

Spain Environment

During 2017, FCC Environment was awarded 111 contracts in the urban services arena, with an overall contract volume of close to 1,000 million euros.

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Other noteworthy contracts awarded in 2017

- Urban waste collection, street cleaning, gardens and beaches of Sant Antoni de Portmany (Ibiza), Balearic Islands.
  47,984,859.46 euros.
- Conservation and maintenance of gardens, Malaga.
  16,842,483.80 euros.
- Urban waste collection, Chipiona (Cadiz).
  14,362,979.30 euros.
- Urban waste collection north of the province of Cordoba.
  12,364,048 euros.
- Urban waste collection from Inca (Mallorca) Balearic Islands.
  12,208,316.56 euros.
- Pinto packaging plant operation, Madrid.
  10,950,000 euros.
- Selective collection in Urola Kosta, Guipúzcoa.
  10,171,826.76 euros.
- Urban waste collection, street cleaning and recycling centre, Salt (Girona).
  9,675,169.96 euros.
- Cleaning of Metro Valencia stations.
  8,790,083.57 euros.
- School cleaning, Albacete.
  7,532,172 euros.
- Conservation and Maintenance of Gardens, Santa Coloma de Gramenet (Barcelona).
  7,412,634.08 euros.
- Urban waste collection and landfill in the region of La Noguera (Lleida).
  5,835,804 euros.
- Urban waste collection and transport of municipal waste in 16 municipalities in the L'Anoia region, Catalonia.
  5,563,311.08 euros.
- Urban waste collection and street cleaning of Cassá de la Selva, Gerona.
  5,495,235.92 euros.
- End-to-end, Preventive and Corrective Maintenance of CAP of the Catalan Institute of Health, Barcelona and the Balearic Islands.
  5,186,644.84 euros.
- Urban waste collection and street cleaning of Fuente Álamo, Murcia.
  5,124,494.08 euros.
- Collection of urban waste from the association of municipalities Lea Artibai, Vizcaya.
  4,912,872.73 euros.
- Cleaning of Buildings at Universidad Rovira I Virgili, Tarragona.
  4,801,875 euros.
- Selective collection in the province of Cordoba.
  4,681,372 euros.
- Street cleaning in Etxebarri, Vizcaya.
  4,518,828 euros.
- Industrial cleaning of the Repsol plant, Puertollano (Ciudad Real).
  4,500,000 euros.

Waste collection with side-loading vehicle. Bilbao (Spain).

- Cleaning buildings in Donostia-San Sebastián, Guipúzcoa-Navarra.
  4,379,009.20 euros.
- Cleaning municipal buildings in Crevillente, Alicante.
  4,219,005.60 euros.
- Cleaning of schools and municipal units in Alicante.
  3,514,544.58 euros.
- Urban waste collection of the association of municipalities Cuenca de Cidacos, La Rioja.
  3,513,657.47 euros.
- Street cleaning and gardens of Berango, Vizcaya.
  3,187,283.76 euros.

International Environment

In 2017, the International Environmental Services division was awarded contracts from over 110 tenders for USW collection services, selective collection, transport, treatment, disposal, street cleaning, park and garden maintenance, recovery of contaminated soils and contracts for the collection and treatment of commercial and industrial waste which supposed a contract amount of 938.6 million euros.

Below offers information about the contracting and the most significant contracts awarded according to their geographical distribution:

During 2017, **International Environment** division was awarded more than **110 tenders and contracts** giving contracting revenues of **938.6 million euros**

United Kingdom (FCC Environment UK)

Most relevant contract awards in 2017 in the United Kingdom

- **Operations contract for recycling centres in Wiltshire.** Contract awarded to FCC Environment for the management and operation of nine recycling centres in the country of Wiltshire. The population served totals 470,000 people who will generate 46,000 tonnes of waste annually. The contract has been awarded for a period of eight years, with the option to extend it for an additional eight years giving an order book of more than 39 million euros.
- **Contract for municipal waste collection and street cleaning, for Barrow-in-Furness City Council.** In March 2017, the City Council of Barrow-in-Furness awarded FCC Environment the contract for the collection of municipal and recyclable waste and cleaning for a period of seven years with the possibility of extending it by another seven. Barrow-in-Furness is in Cumbria in the North of England. The population served totals 70,000 inhabitants and represents an order book of over 13 million euros.
- **Contract for rail transport and waste processing in North London.** For a further three years, FCC Environment has renewed the rail transport and waste processing of 50,000 tpa contract with an order book of 26.3 million euros. FCC has provided these services since 2014.

Operation of Recycling Centres in Wiltshite (United Kingdom).

United Kingdom (FCC Environment UK)

New municipal contracts and firm renewals

Contracts awarded: 13.

Annual billings: 23.1 million euros.

Order book: 116.2 million euros.

New contracts, C&I waste contract renewals and short-term contracts: 303.8 million euros.

Temporary awards of municipal contracts:

Contracts awarded: 2.

Annual billings: 4.8 million euros.

Order book: 49.1 million euros.

Central and Eastern Europe (FCC Environment CEE)

Most significant contracts awarded in Central and Eastern Europe in 2017

- **Renewal of contracts for the collection and processing of municipal waste with the District of Graz-Umgebung (Austria).** FCC CEE has signed two contracts for the collection and processing with the District of Graz-Umgebung:

  – The municipal waste collection contract in Graz-Umgebung was renewed in 2017 for a period of five years, with an order book of three million euros. Services included in the contract are the collection of municipal, paper and organic waste.

  – The contract for the processing of municipal waste from Graz in the incineration plant of Zistersdorf, owned by FCC, has been renewed for another five years. The contract is for the processing of 29,000 tpa with an order book of over 9.5 million euros.

- **Renewal of eight contracts with ARA and the awarding of a new one in region of Schwechat (Austria):** FCC Austria Abfall Service AG has renewed selective collection contracts with ARA, the entity which manages recycling in Austria, which has been providing services in eight regions since 1993, for a period of five years. It has also been awarded another contract for the region of Schwechat, for the selective collection of 13,000 tpa of plastics and metals. The total order book is 17.5 million euros and the population served by FCC in Austria for this type of service is 685,000 inhabitants.

- **Renewal of the waste collection contract in Zabrze (Poland):** Zabrze is one of the main cities in Poland with a population of 180,000 inhabitants. La renewal of this contract means the leadership position is maintained in the region. In this region, FCC Poland also operates a mechanical and biological processing facility and a controlled landfill which allows it to consolidate itself in the region. The contract has been renewed for three years and the order book amounts to 16.2 million euros.

- **Renewal of the contract with Skoda Auto (Czech Republic):** FCC Czech Republic has renewed its contract with Skoda which includes the collection and transport of wastes, the collection of recyclables and the rental of machinery. The contract has been renewed for a period of three years with a total value of 10 million euros.

- **Contract for the recovery of contaminated soils in the Páramo Project (Czech Republic):** Awarding of the contract by the Ministry of Environment of the Czech Republic for the recovery of contaminated soils in the land where the Páramo plant (Pardubice) is located. The amount of contaminated waste is 50,000 tonnes and the contract has a five-year duration. The total order book of the contract is 9.8 million euros.

- **End-to-end management contract for the Hyundai group of companies (Czech Republic):** FCC Czech Republic was awarded the Hyundai waste management contract for the following companies: Mobis Automotive s.r.o in Novosice and Mobis Automotive s.r.o in Mosnov. Both companies are the main suppliers to Hyundai in the Czech Republic. The contract has a three-year term and the order book amounts to five million euros.

Collection of Recyclables for ARA in nine Austrian regions.

Central and Eastern Europe (FCC Environment CEE)

New municipal contracts and firm renewals

Contracts awarded: 77.

Annual billings: 29.4 million euros.

Order book: 62.7 million euros.

New contracts, C&I waste contract renewals and short-term contracts: 408.2 million euros.

Portugal (FCC Environment Portugal)

Most relevant contract awards in 2017 in Portugal

- **Mechanical cleaning contract for the municipality of Oeiras:** The contract for mechanical cleaning for the City Council of Oeiras was awarded for a five-year term. The population served totals 40,000 inhabitants and represents an order book of 3.4 million euros.

MAREPA facilities in Alcorcón (Madrid).

Portugal (FCC Environment Portugal)

New municipal contracts and firm renewals

Contracts awarded: 11.

Annual billings: 1.5 million euros.

Order book: 1.5 million euros.

Temporary awards of municipal contracts:

Contracts awarded: 2.

Annual billings: 0.8 million euros.

Order book: 3.7 million euros.

Industrial Waste (Ámbito) and USA

In 2017, Industrial Waste-USA division signed contracts worth 169.4 million euros.

Nationally, one of the main milestones in our activity was the contract awarded to FCC Industrial Waste for the environmental management in all AIRBUS centres in Spain. The contract has a five-year term and will produce an order book amounting to 20.2 million euros. The scope of the service contracted involves development for each of the facilities in addition to the end-to-end management of the waste that they produce, and the support and maintenance of the environmental, energy and of environmental correction management systems.

In 2017, **Industrial Waste-USA** division signed contracts worth **169.4 million euros**

Recycling plant in Dallas (Texas, USA).

Another important achievement has been the awarding by SIGFITO of the management of agricultural containers in Andalusia for a period of one year, extendable to a total of three. Andalusia is the largest producer of phytosanitary containers in Spain, with an annual management forecast of around 1,300 tonnes. The contract includes the supply of bags for the conditioning of waste in the collection centres, their collection and transport, and finally their processing. The solution proposed by FCC Industrial Waste includes the recovery of 100% of the waste collected, mainly plastics, but also comprised of metals and paper/cardboard.

In terms of glass recycling, in 2017, FCC Industrial Waste won the auction by ECOVIDRIO for the management of glass packaging waste from selective collection in the provinces of Valencia, Castellón, Zaragoza, Huesca and Teruel. The period of the contract is three years (2018-2020), during which it is expected to manage around 185,000 tonnes of packaging. The sale of the produced glass cullet will generate an order book for FCC Industrial Waste of more than nine million euros.

Regarding the paper and cardboard recycling business, through its subsidiary MAREPA, FCC Industrial Waste has been awarded the contract for the end-to-end waste management of MACROLIBROS, S.A., based in Valladolid, with a duration of three years and total estimated revenues of 1.8 million euros.

In 2017, FCC Industrial Waste began soil decontamination work in a former operations centre of the Municipal Transport Company of Madrid. The objective of the works is the processing of more than 16,000 m^3 of land contaminated with hydrocarbons through bioremediation. In addition, the excavation work and processing of land with low and very low radioactivity contamination from the dismantling of the Zorita Nuclear Power Station continues

USA

In terms of the activity in the United States, the successful series of contracts awarded continues with two new contracts in 2017:

- Service for the processing and commercialisation of the recyclable residues of the Texan cities of Mesquite, Garland and University Park, for 7.5 million USD (6.25 million euros) and a duration of five years.
- Service for the collection and processing of all residential and commercial waste in the city of Rowlett (Texas), for an initial period of seven years with a possible extension of three more years. The budget of the award was 32.5 million dollars. The total volume of the contract would come to 70 million dollars (58.33 million euros) if all commercial services and the extension are included.

The total signed-up order book by FCC Group in the last three years in the United States is 630 million dollars.

Service excellence

Management of quality, the environment, innovation, occupational health and safety and energy

Historically, FCC has expressed constant concern for compliance with standards and requirements, not only those which are legal or regulatory, or contractually established by our customers, but all those related to the care of the environment, the search for efficiency in our services and the health and safety of our workers.

This concern has led Environment area to develop important innovations in technology, operating procedures and human resources policies. Among them, 100% electric mobility technology (zero emissions vehicles, ZEV) in urban services, even for large-tonnage equipment; or human resources policies which promote equality and labour inclusion. All this has been carried out within the framework of our end-to-end management system, certified by external bodies, and based on the following standards: UNE-EN ISO 9001 (Quality Management), UNE-EN ISO 14001 and EMAS (Environmental Management), OHSAS 18001 (Management of Health and Safety of Workers), UNE-EN ISO 50001 (Energy Management), UNE 166002 (Management of R&D) and the Healthy Company Model.

Avanza Awards: Amongst the objectives of the management system are to promote the participation of all workers in the improvement of our services and the internal processes of the organisation. In order to recognise the work and effort made by the staff who contribute day-to-day to improve the company's competitiveness, the social integration within it, the improvement of the quality in our processes, respect for the environment and the development and application of innovative solutions or practices, in 2017 the Avanza Awards were created which are classified in four categories:. Social Initiatives, Quality, Environment, and Innovation, and have resulted in numerous ideas and the transfer of good practices thanks to the good reception and the number of applications submitted. Durante 2017, FCC Environment held the UNE-EN ISO 9001, UNE-EN ISO 14001, EMAS, UNE-EN ISO 50001 and OHSAS 18001 certifications for one more year. Other noteworthy milestones in regard to certification were:

- **Healthy Company Certification:** Started in 2013, this process concluded in 2017 with the roll-out and certification (effective from February 2018) of all FCC Environment Offices in Spain.
- **Certification of the R&D Management System.** The scope of this system was extended in 2017 to the projects being carried out by the Information Systems and Technologies and Coordination and Development departments. The projects of the Machinery and Waste Disposal and Processing departments which were certified last year have continued to be developed.

- During 2017, and completed in February 2018, the **'Reduzco' stamp granted by the Spanish Office of Climate Change (OECC)** was achieved within the process of carbon footprint registration, compensation and CO_2 absorption projects of the Ministry of Agriculture and Fisheries, Food and Environment (MAPAMA), thanks to our commitments to reduce GHG emissions being met.

In its commitment to customers and society in general, through compliance with the legal requirements that apply to it, FCC Industrial Waste has implemented a Quality and Environmental Management System, based on the ISO 9001 and ISO 14001 standards. It also holds the following certifications: Regulation (EC) 1221/2009 Eco-management and Audit Scheme EMAS III, Secure destruction of confidential material (UNE 15713), Conformity with the end-of-waste condition (Regulation EU 1179/2012). It also has the ENAC accreditation as an entity to inspect associated soils and groundwater (ISO 17020). In health and safety, FCC Industrial Waste holed the OHSAS 18001 certificate. All centres have annual internal audits under the framework of the implemented standards. In addition, training has increased by 20% in the last year and the number of workers who received training has increased by 38%.

Luton, United Kingdom, 2018 – FCC rechargeable 100% electric waste collection vehicle.

Rota, 2018 – FCC's 100% electric self-loading collector.

Barcelona, 1974 – FCC electric waste collection vehicle.

Innovation and technology

Innovation is in the DNA of FCC Environment and is one of our identity signs. **The Environmental Services Area** has been developing innovative technologies since it started to provide its services more than 100 years ago, to make them more sustainable and efficient. As an example, in 1974 the first waste collection vehicle with an electric motor was put into service in Barcelona. To regulate and coordinate the flow of information and to standardise the research processes in the environmental area, **an R&D+Innovation management system was implemented in 2016 that obtained UNE 166.002 standard certification.**

Currently, the projects are grouped into five areas of technologies or knowledge:

- Vehicles, mobile machinery and facilities.
- Waste management and recycling.
- Information and communication technologies.
- Sustainable development.
- Resilience.

Most relevant current projects, registered or in being registered in the R&D system

Introduction to FCC's ARSI project
https://www.youtube.com/watch?v=zRJ4P8vHpds

Latest news from FCC's ARSI project at the Smart City Expo World Congress 2017
https://www.youtube.com/watch?v=GrKWEf61upQ&t=62s

ARSI
AERIAL ROBOT FOR SEWER INSPECTION

Vehicles, mobile machinery and facilities

ARSI *(Aerial Robot for Sewer Inspection)*.

- Within the framework of the European Echord++ project (*European Coordination Hub for Open Robotics Development*), FCC Environment is participating, together with other companies, in the ARSI (*Aerial Robot for Sewer Inspection*) consortium, which is developing an innovative automatic aerial vehicle (drone) equipped with multiple sensors to speed up, facilitate and improve sewerage inspection in Barcelona. At this time the project is in the advanced prototype phase and for FCC this technological solution will provide safety and comfort in the work, very significant improvements in productivity ratios and reductions in costs and occupational accidents. In June 2017, during the Future Industry Congress, the Barcelona technology centre, Eurecat, awarded the ARSI project the *"Relevant Project"* prize.

VEMTESU (Development of modular and self-sustaining vehicle platforms with high-efficiency electric traction for urban services).

- The objective is the design and development of a hybrid electrical vehicle with permanent electric drive, without mechanical transmission, plug-in, with range extension and equipped with a system of batteries and ultra-capacitors that work together, complement each other and increasing efficiency. All of this with an innovative design and composition of self-supporting and modular bodywork with a low cab. Through this project, the following technical and environmental mileposts are also achieved:
  - Obtaining of minimal emissions of exhaust fumes and noise.
  - Electric traction with high torque motor and energy regeneration system.

Study, analysis and development of new technologies in electric and hybrid engines for the USW collection truck(*).

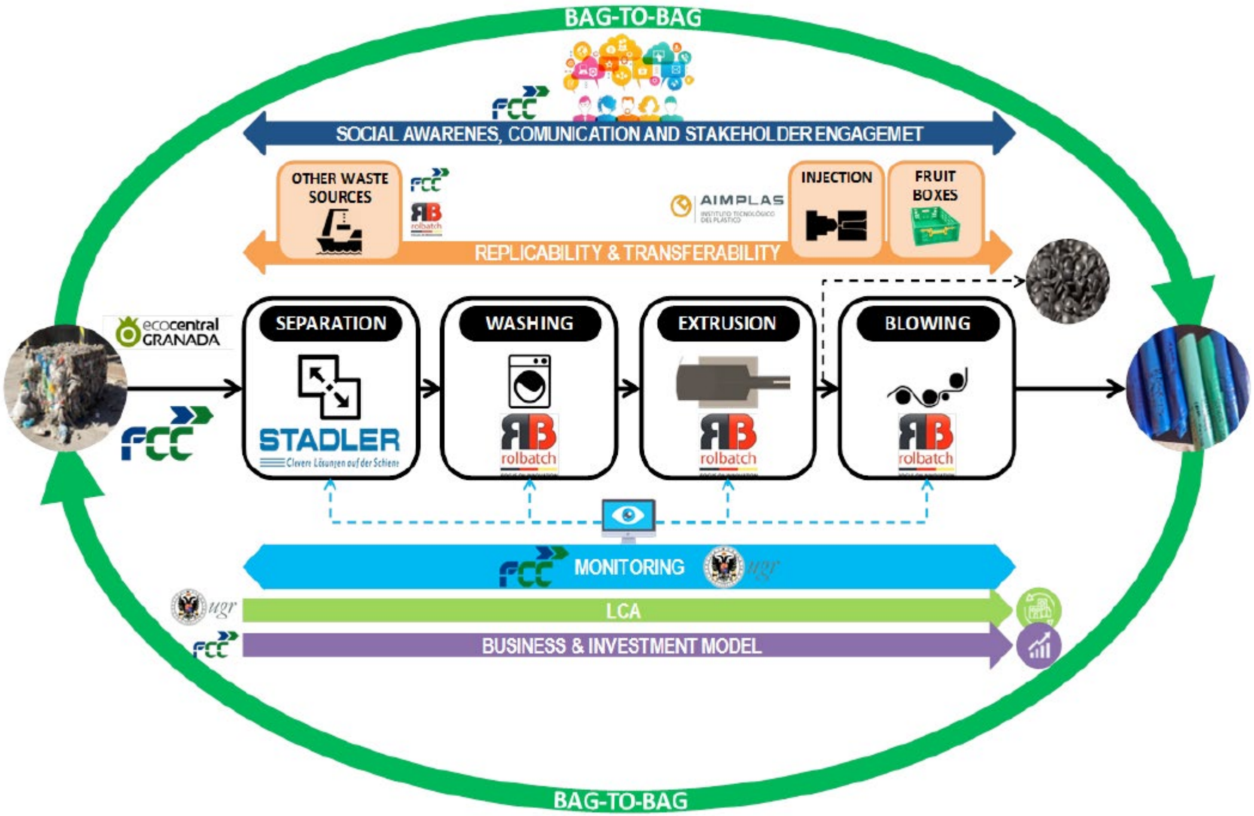
Development of national, 100%-electric cleaning trucks, for multi-service use(*).

(*) Completed projects.

Management and recycling of waste

LIFE4FILM (LIFE17 ENV/ES/000229):

- Part of the LIFE European Environment and Resource Efficiency program, project LIFE4FILM is led by FCC Environment and developed in partnership with AIMPLAS (Asociacion de Investigacion de materiales plasticos y Conexas) (ES) , Rolbatch GmbH (DE), Stadler Selecciona, SLU (DE) and the University of Granada (ES). The main objective of LIFE4FILM is to avoid sending plastic film (LDPE) in solid urban wastes to the landfill or to energy recovery through the implementation by FCC of an innovative recycling process on a semi-industrial scale with a recycling line with a capacity of 10,000 tonnes/year in the Ecocentral plant in Granada (Spain) which will include equipment from Rolbatch and Stadler and that will also be operated by FCC to demonstrate the profitability and replicability of the recycling process at European level. The LIFE4FILM Consortium has the capacity to develop a new integrated technology for recycling plastic film based on low carbon economy and more sustainable waste management. This project is currently at the Grant Agreement signing phase with the European Commission.



METHAmorphosis LIFE 14/CCM/ES/000865:

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

Ecoparque 2 (Barcelona) – Processing facilities for METHAmorphosis.

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

- Project developed by a consortium of six entities (AMB -Metropolitan Area of Barcelona, FCC Aqualia – project leader – FCC Environment, Gas Natural, Icaen and SEAT) and co-financed by the European LIFE programme, that is finalising the construction of a demonstration plant in Ecoparque (environmental complex facility) in Besós, managed by FCC Medio Ambiente. The process integrates three technologies developed recently by Aqualia (AnMBR, ELAN – autotrophic elimination of nitrogen – and washing of biogas) to improve the efficiency of bio methane production in the treatment of leachate in installations for the anaerobic digestion of organic matter from urban waste. This bio methane will be used as a fuel in natural gas vehicles, among them those for waste collection in normal operational conditions, provided by FCC Environment; and will also be tested for injection into the natural gas grid. The reduction of greenhouse gases in the project is achieved with two actions, the process implemented in the treatment of leachate allowing an energy saving of around 70% compared to conventional process, and the use of bio methane as a vehicle fuel with a carbon footprint around 80% lower than that of Diesel or petrol vehicles. METHAmorphosis represents an advance in the energy re-use of wastes and a great proposal for circular economy since it converts the waste treatment plant into a fuel producer with the capacity to power vehicles. The European Commission has made METHAmorphosis an example of the LIFE programme in its November 2017 report ***"Two years after Paris. Progress towards meeting the EU´s climate commitments".***

Recovery of glass in refining (Alhendín - Ecocentral Granada):

- Installation of a system of optical sorters to retrieve glass in the refining line. After the implementation, in seven shifts per week, 10.5 tonnes of glass per shift are being recovered what makes a total of 3,822 tonnes of glass/year, an increase in recovery of 1.04%.

Improvements in composting and reduction of odours in the El Campello (Alicante) plant:

- Application of products with cultivations of micro-organisms to improve aeration and prevent bad odours in the composting process.

Modification of the biomass boiler to improve the energy efficiency in the Serra do Barbanza environmental complex:

- Modification of the control system to:
    - Optimise combustion: lambda sensor. Monitoring and control of biomass feed motors and air.
    - Reduce the temperature of the outlet gases (125 °C) from the chimney: differential pressure sensor. Control of aspiration motor speed.
    - Reduce the number of start-ups of the motors interlocked in group: installation of frequency shifters.
    - Increase the transfer of heat from the recirculation water to the evaporator: reduction of the circulation speed with frequency shifter.

These improvements have reduced the average start-ups per day by 50%, reducing electricity consumption by 40% and the consumption ratio per m^3 of leaching treated by 35%, as well as reducing pellets consumption by 24%.

Information and Communication Technologies

Communication and monitoring of vehicles / Design of GCD17 device and implementation:

- Design and putting into operation of an integrated communications device in the vehicles to allow their monitoring, telemetry management, IoT connections, location and data entry, all integrated with the operations management system.

Systems for integrating data for Web services:

- Development of a data integration platform that allows the connection of numerous information systems coexisting in the operation of our services (clients, suppliers, government departments, back office, etc) without the need to make complex modifications to those systems.

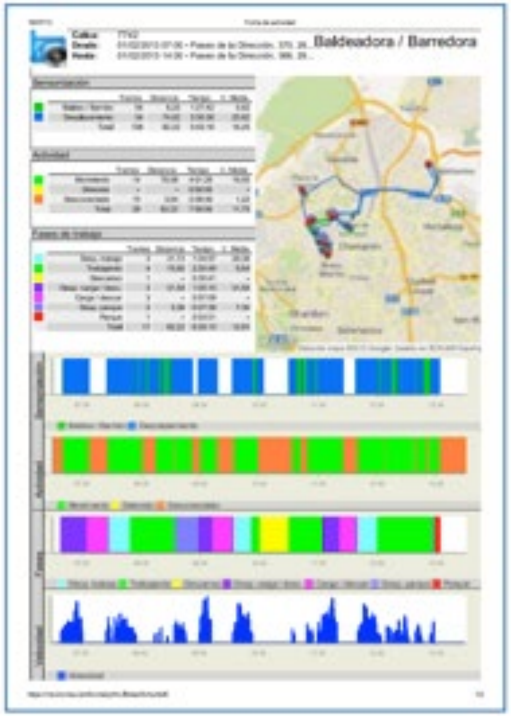
Adapting of mobility utilities in APPVISION:

- Large part of our activity is undertaken in the urban space. The objective of the development of utilities in mobile applications for the VISION platform (digital platform for the integral management of municipal services, developed exclusively by FCC) is to provide a mobile extension of the platform for the prompt and efficient collection of information. This extension must be integrated in the various utilities and improvements currently offered by mobile devices (image capture, number plate reading, NFC readers, location systems, drawing tools, etc).

Geographical information: integration and display of data and maps:

- The management of the services that FCC Environment undertakes includes geographical positioning that is basic for knowing where their incidents occur. This need requires the management of various types of maps, cartographic backgrounds, geolocation data and various tools for their display. The intention is to integrate the handling of geographical information within the platform so that the daily work of our services can make use of this type of information without the need to transfer data or handle complex application.

vision
smart environmental services



Sustainable development

SEEEUS System for Environmental Efficiency Evaluation of Urban Services:

- Consisting of the in-house development, in an open digital environment, of a computer application based on innovative information and communication technologies to integrate the monitoring, calculation and communication of environmental information, allowing:
  - Support for the environmental advice service based on a verified method and coupled to the various phases of contract management.
  - Communication to our stakeholders of the relevant indicators in terms of energy efficiency, water saving, the mitigation of greenhouse gas emissions and the reduction of wastes.
  - Setting up of indicators to aid decisions (KPIs) that allow the manager and local organisations to share and have access to the relevant information.

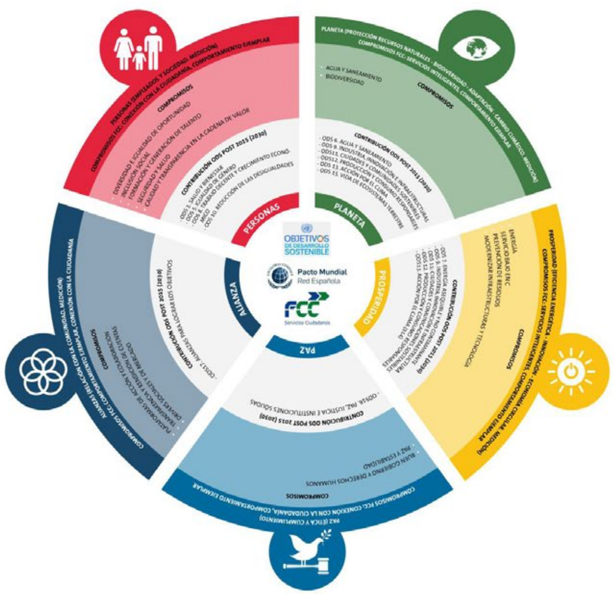
Project KET4F-Gas:

- The Industrial Services Division, Ámbito, is developing the KET4F-Gas project, **co-financed by the European Regional Development Fund through the Interreg SUDOE programme.**
- Fluorinated gases (F-gases) are greenhouse gases used massively in the refrigeration sector that have a high global warming potential so that their emissions must be reduced, taking into account the international agreement signed in Kigali in 2016. The use of F-gases has increased dramatically in recent years as a consequence of the need to replace CFCs, which damage the ozone layer. The objective of this project is to design and implement essential facilitating technologies (EFTs) using alternative solvents designed according to green chemistry principles, benign and more efficient, to recover F-gases used in refrigeration and air conditioning equipment, preventing their emissions. This project will increase applied research and eco-innovation to protect the environment through the application of EFTs, allowing technology transfer to improve the competitiveness of companies.

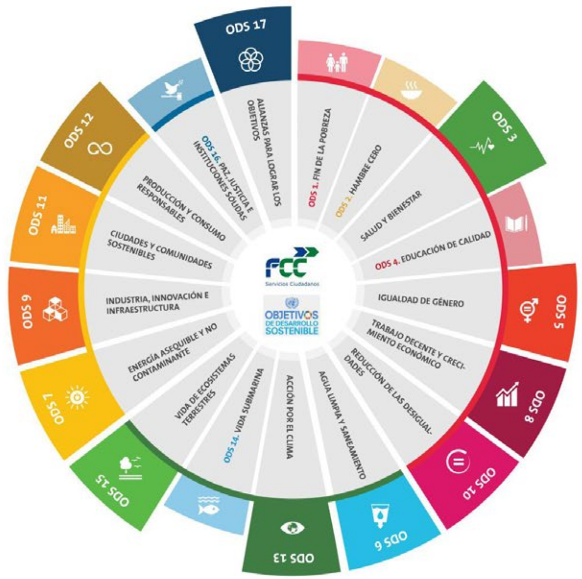
Interreg Sudoe KET4F-Gas
EUROPEAN UNION
European Regional Development Fund

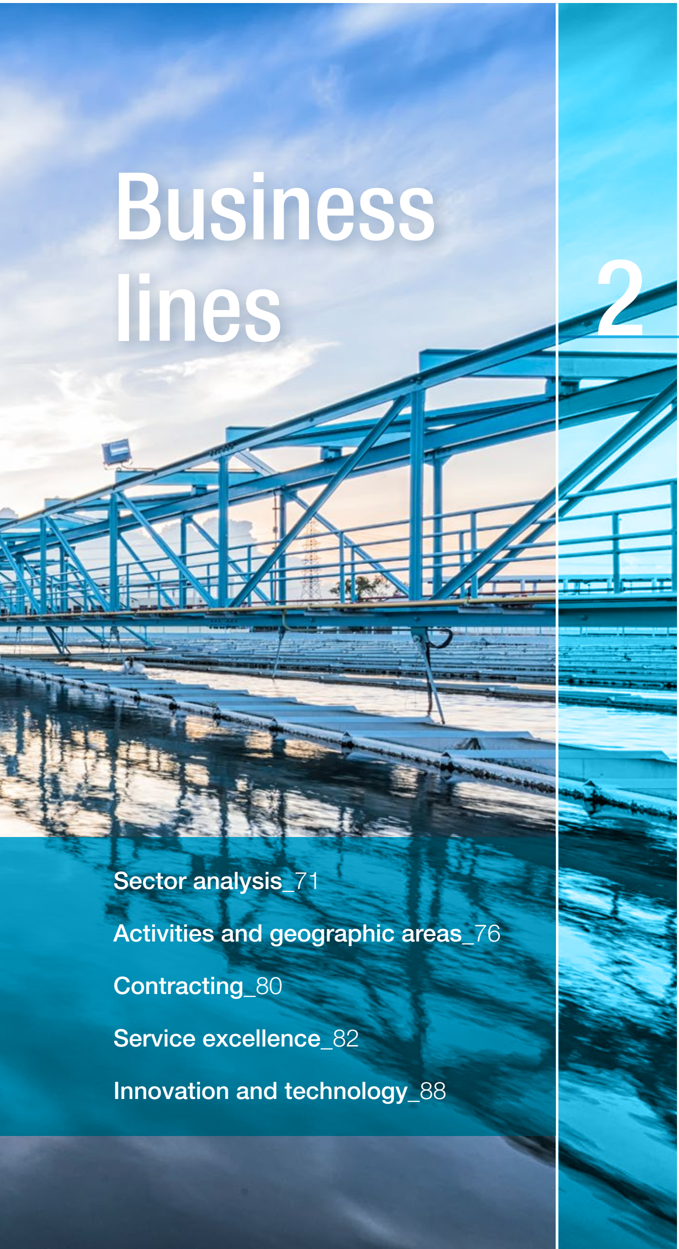
FCC ENVIRONMENT'S SUSTAINABLE MANAGEMENT MODEL (2017/2020)

COMMITMENTS IN LINE WITH THE 5 DIMENSIONS OF THE SDGs



PRIORITISED SGDs





Business lines 2

Water management

In 2017, **Aqualia** invoiced **1,026 million euros** with an EBITDA of **242 million euros** and an order book of almost **15,000 million euros**

Aqualia and its consolidated subsidiaries make up the fourth European private group dedicated to water management in terms of population served, with over 22.5 million people according to ranking estimates by the publication Global Water Intelligence in November 2017. It is also the tenth largest private company in the world in terms of population served. Aqualia is a diversified company, focused on responding to the needs of private and public sectors in all stages of the water cycle, providing water for human, industrial and agricultural uses.

The company provides services in Spain to over 850 town councils and it also operates internationally, with projects in Europe, Latin America, the Middle East and North Africa. Aqualia has 7,952 employees and a presence in 22 countries. Also, its activities in the field of infrastructure management and operation include the management of more than 72,000 kilometres of distribution networks, more than 2,700 water tanks, almost 800 waste water purifying plants, 21 desalination plants for salt water and brackish water and more than 200 drinking water treatment plants.

Aqualia's activity is characterised by the foreseeable cash flow generation and largely foreseeable revenues due to the long-term and recurring nature of most of the contracts.

Aqualia carries out initiatives which have the goal of ensuring a more efficient use of natural resources, a more rational use of energy, and the identification of operational risks. Aqualia integrates corporate social responsibility (CSR) as part of its daily operations, in an attempt to ensure that the social and environmental aspects of its management is not compromised by its business decisions.

In 2017, the company invoiced 1,026 million euros with an EBITDA of 242 million euros and an order book of almost 15,000 million euros.

Sector analysis

Domestic market

The recovery of **revenues volumes** trend which started in 2015 and 2016, continued in 2017. The gap between coastal and interior areas has been reduced, leading to significant consumption growth in the Balearic and Canary Islands and the coastal areas of Andalusia, but large regions of the interior of the peninsula recover from stagnation. In overall values, the year-on-year invoiced volumes at the end of the third quarter of 2017 grew by 2.31% and the revenues from proprietary concepts by 2.54%, with a practical freezing of the average values of the tariffs. The average supply to consumers grew in volume by 1.19%, in income by 2.41%, and average tariff by 1.21%. There has been a high growth of the sale of water of 8.75%, especially to irrigators in Andalusia, but with little effect on income, given its low tariffs.

Political initiatives which advocate the bringing of water management services back under municipal control have been mainly concentrated in a few municipalities in which current concessions expired. Upon expiry of the contracts they had with competitors, the City Councils of Tarrasa (Barcelona) and Valladolid opted for the direct management of the services. Even in a very isolated manner (as in Alcázar de San Juan, in Ciudad Real), in Aqualia we are observing some similar initiatives although the legal framework under which our contracts are developed means we don't perceive risks related to our activity in the short term.

In terms of **commercial activity**, in the **concessions** segment of the end-to-end water cycle, the company has been awarded contracts or has extended contracts at maturity (with a very high loyalty rate of over 90%) with those municipalities in which it operates.

On the other hand, great effort has been made to expand Aqualia's presence in the **Operation and Maintenance** (O&M) sector of facilities (WWTP - wastewater treatment plant, DWTP - drinking water treatment plant, IDAM - desalination plant, network management). The company has focused its activity on significant public customers, on solvency and technical level, which recognises the technological added value and improvements of the company's management, and allows suitable profitability to be maintained.

Central and regional governments are not currently calling for tenders for major **water-infrastructure concessions**, mainly because of the tax-consolidation and debt-reduction process that the authorities are continuing to apply, thus increasing the shortfall in infrastructure renewal and growth.

At the same time, Aqualia expects to continue moving forwards in the promotion of **new activities**, be they complementary or accessory. In this vein, in 2017, Aqualia has expanded with the contracting of industrial works to adapt facilities for mainly CAPSA (in Villagarcía de Arousa and Lugo), INCARLOPSA (Corral de Almaguer, Toledo), García Baquero (Toro, Zamora), VALEO (Martos, Jaén) and COSENTINO (Almería).

On the other hand, in the **Technology and Networks** sector the company has been strengthened with the awarding of works for the DWTP of Majadahonda (Canal de Isabel II in Madrid), the DWTP of La Nucía (Alicante), the expansion in the WWTP of El Bobar (Almería) and a water deposit in Granadilla (Tenerife), among others.

International market

In the international arena, Aqualia concentrated its activity during the year 2017 in Europe, Middle East and North Africa (MENA), the United States and Latin America (LATAM).

Europe

In **Portugal**, during 2017 virtually no new tenders were called for the concession of municipal services. There have been opportunities to outsource the services of public companies but with high competition and low yields. However, a reactivation of the concession business is expected following the municipal elections held in the last quarter of 2017, boosted by the budget deficit of town councils and the need to invest in new infrastructure.

The improvement of the regulatory system to determine tariffs in **Italy**, following the principle of *full-cost recovery* is improving investors' perception of the business in the market and will act as a stimulus for new public-private partnership opportunities with Local and Regional Administrations. New concessions appear to be expected for northern Italy (Piacenza and Rimini), together with the concentration of water management around larger geographical units.

In the **Czech Republic** in 2017, the regulatory framework eliminated the tariffs incentives which were applied to investments by companies owning assets. This tariff component recovers again in 2018 and will bring an improvement in EBITDA which will be used to increase investments. Tenders are expected for the contracting of private water management and sanitation in large populations of northern Bohemia and the southern part of the country, together with likely new tenders for the lease of services, without including investments by the operator. But, without doubt, the significant event of the year was Mitsui's repurchase of their shareholding in SmVak and Aqualia Engineering.

In **Poland**, business opportunities are being explored which this year have resulted in pre-selection for the design, construction, operation and financing project of a wastewater treatment plant in the municipality of Karzcew.

In **France**, a large volume of activity is expected in the coming years due to the end of contracts that have historically been managed by large French water companies. The rupture of the traditional barriers to entry in this market seems complicated, but the current high prices of the water services provided by traditional operators can be an incentive for Local Corporations to change to new operators. Likewise, the local organisational structure, whereby public services are managed in conglomerates, causes a new political environment of management transparency and efficiency which is bound to attract new operators.

Wastewater treatment place of Glina, in Bucharest (Romania).

In the **United Kingdom**, the management of water supply and sanitation services falls to private-sector companies which own the assets, which are largely controlled by financial investors. Entry into the market will take the form of providing high value-added services to said companies which own the assets.

In the **Balkans**, the most prevalent business model is the construction contract supported by European funds with the goal of complying with European regulations in terms of treating urban water. Private sector involvement is also being considered for the financing of hydraulic infrastructure, although we see a long road ahead before this is definitely implemented.

In **Romania**, Aqualia has been awarded the extension of the Glina wastewater treatment plant in Bucharest. Additionally, intensive commercial work has been done to identify value-added services for public companies in the country.

LATAM

In the **Americas**, the deficit in water infrastructure and the search for efficiency in current ones enhance FCC Aqualia's growth options, which have multiplied significantly following FCC's withdrawal from the capital of Proactiva, a company in which it was partnered with the French operator Veolia.

In **Mexico**, the experience gained with various contracts is being put to good use in BOT (Build, Operate, Transfer) contracts of Aceuducto II and Realito by planning for similar projects, where more demanding technical and financial capacities have made Aqualia a benchmark. There is still growing concern in the country about the efficiency of water services in some municipalities, which, together with the limitations of federal subsidies, allows opportunities to be involved in the management to increase, mainly in a joint venture scheme. Finally, the recent energy reform has led the national oil company to seek to modernise itself and has started an interesting process to outsource its water services, in which Aqualia is fully involved.

In **Colombia**, the development of the projects of the WWTP (wastewater treatment plant) El Salitre in Bogotá and the WWTP San Silvestre in Barrancabermeja has begun. The company seeks business opportunities for the end-to-end management of services in important municipalities of the country under municipal concession models, as well as for the design, construction and financing of water infrastructure for the purification of its wastewater, or new supply sources of drinking water in areas with this need.

In **Peru**, the government is evaluating the efficiency of its utilities to allow the entry of private sector companies wherever management indicators are lowest. Five private initiatives were submitted in 2017 for the purification of wastewater from the municipalities of Trujillo, Cajamarca, Cusco, Chincha and Cañete, hoping for their declaration of interest during 2018. New business opportunities will be promoted by PROINVERSION, which is in charge of stimulating investments in the country, as well as outsourcing the contracts of SEDAPAL, the municipal water company of the city of Lima.

In **Chile**, the mining industry continues presenting important business opportunities in terms of water desalination for its operations. Aqualia works with historical clients in this sector for the expansion and rehabilitation of its facilities. Business opportunities are also seen linked to the rotation of assets in some of its utilities.

In **Panama,** the national government is developing an ambitious water infrastructure project in which Aqualia actively participates. Proof of this is the recent awarding of the engineering, construction and operation project for 10 years of the Arraiján WWTP, which will purify the water of 130,000 inhabitants. In addition, the company has submitted an offer of assistance and advice for the operational and commercial management of IDAAN, a national agency which manages the country's water service.

USA

During 2017, Aqualia reinforced its business analysis activity in the **United States**, mainly in Florida, California and Texas. The main drivers of growth in these states appear to be water shortages, obsolete water infrastructure, and the scarce penetration of private sector operators in the industry. At this time, Aqualia is preparing tenders, private initiatives (unsolicited proposals) and the development of water projects in the country.

MENA

In **North Africa**, the desalination of sea water and the waste water treatment appear to be good business opportunities in the countries in which Aqualia is present.

Desalination plant in Mostaganem (Algeria).

In **Algeria** this year, an important agreement was reached and signed with the customer of the desalination plant in Mostaganem, Sonatrach, to build a new water collection structure which will expand the plant's production capacity. Likewise, it was also possible to sign two agreements related to the operation and maintenance of the Mostaganem and Cap Djinet plants which regularise concepts not invoiced to the customer since the beginning of the operation and which will allow the profitability of both projects to increase. As for new opportunities, the government has announced new desalination projects for various coastal cities in the country, which will be finalised in 2018.

In **Egypt**, Aqualia has made significant progress in the execution of the design, construction and operations contract for the El Alamein desalination plant, with a capacity of 150,000 m^3/day under conditions which guarantee its execution regardless of the economic swings the country suffers. Egypt's fiscal and trade deficit, the high interest rates and inflation, as well as limitations in the access to hard currencies led the government to adopt severe economic measures such as the reduction of public expenditure and the free float of the Egyptian pound in 2016. The country has been more stable in 2017 and market conditions have improved.

Sohar. Aspiracion Intermediate Pumping Station (Oman).

In this, the project for the construction, financing and operation of the Abu Rawash treatment plant, which was awarded to a consortium in which Aqualia participated through its subsidiary in which the EBRD participated, has been transformed into an EPC project (Engineering, Procurement, Construction) financed against the state budget. On the other hand, due to water shortages, in Egypt it is expected that the Defence Ministry will tender new large desalination plants to supply the population near the Mediterranean and the Red Sea. Also, the enlargement of the Suez Canal and the creation of new industrial and mining zones suggest that water demand required for their development will continue to grow.

In **Tunisia,** this year saw the Djerba project practically completed, which, with a capacity of 50,000 m^3/day, ensures the supply to the population and the tourist development of the island.

In the **Middle East**, where population growth is reaching up to 8% per year in some regions, the serious reduction in earnings from oil is forcing nations in the Gulf to withdraw subsidies and use private initiatives to develop their water-infrastructure projects.

In **Saudi Arabia**, the government has entrusted the WEC (Water & Electricity Company) with the execution of an ambitious water infrastructure plan which includes both the production of desalinated water to supply the population and the purification of wastewater. The NWC (National Water Company), charged with distributing drinking water to major cities, will complete some of the concession projects it has been designing for some years. Noteworthy is the renewal of the operation and maintenance contract for the Haddah and Arana plants, each 250,000 m^3/day, and the expansion of the purification capacity of the Arana plant achieved at the end of 2017.

Oman will also continue to develop its desalination plan through public-private initiatives. In 2017, Aqualia entered the country with the contract for the end-to-end water management cycle of the port area of Sohar, which lasts 20 years, in association with the Omani public company Majis.

In the **United Arab Emirates,** bidding for operations and maintenance contracts is expected, as well as the construction of desalination plants and, particularly, the contract of the Umm al Quwain desalination plant following BOT.

In **Qatar,** although the political and commercial blockade by Saudi Arabia and the Emirates has caused a slowdown in investment projects, the start of operations of the Al Dhakhira wastewater treatment plant with a capacity of 55,000 m^3/day is expected for 2018, where Aqualia won the operation and maintenance contract for the next 10 years.

Activities and geographical areas

WWTP in Opava (Czech Republic).

Activities

Aqualia is dedicated to several business activities related to private water management, including both regulated and unregulated activities:

Regulated activities

Aqualia's regulated water management activities are governed by agreements whereby the company provides its services within the framework of concession agreements or using company-owned infrastructures, for instance in the Czech Republic. These are long-term concession agreements allowing Aqualia to recover the initial investments that are committed by contract.

Aqualia generally invoices and collects payments from the end client of Regulated Water Management Activities, thereby covering the full service cycle. The rates it charges are adjusted from time to time based on the evolution of the costs associated to the provision of its services, using different mechanisms for setting rates, for instance polynomial formulas, economic reports and the CPI, according to the economic and financial criteria established in the contract.

Contracts for regulated water management activities may be for periods of up to 25 years. Aqualia has a high success rate in the renewal of its contract portfolio. In 2016, it renewed over 90% of the contracts expiring during the year. Structural insolvency is low (0.66% in average terms), directly collecting payment from the end user.

Municipal water concessions

Aqualia's municipal water concessions mean that the municipality grants the company not only the responsibility of the operation and maintenance of water resources but also the financing and management of all the required investment.

Municipal water concessions are generally characterised by the presence of strong barriers to entry and the need for large initial investments. On the other hand, municipal water concessions are comprehensive concessions that are usually for a long period, and they also include assets that are fully owned by Aqualia, for instance SmVaK in the Czech Republic, which does not have an expiry date and is characterised by a high degree of legal regulations.

BOT concessions

Aqualia's BOT concessions imply the delivery of "build-operate-transfer" projects, through which a public entity grants Aqualia the right to develop and operate a public works facility or concession on a long-term basis for a given period.

These concessions are generally characterised by the existence of strong entry barriers and large initial investments with specific project financing structures. They generally feature long-term operations with medium or high degree of legal or regulatory supervision.

Unregulated activities

Aqualia's unregulated activities include both EPC and Operation and Maintenance (O&M) contracts of the following types:

- **Desalination activities**, including the development, operation and maintenance of salt and brackish water treatment plants.
- **Wastewater activities**, including the development, operation and maintenance of wastewater treatment plants and systems for processing municipal and industrial effluents.
- **Industry-related water activities**, including the application of integrated solutions for processing and spillage water.
- **Drinking water activities**, including various treatments to produce drinking water.
- **Water reutilisation activities**, including the development of tertiary processing plants for municipal and industrial purposes.
- **Water and sewage activities**, including cleaning and maintenance of water and sewage networks.

EPC activities

Many of the Engineering, Procurement and Construction projects developed by Aqualia are related to O&M contracts and investment commitments related to regulated water management activities.

In relation to EPC contracts, Aqualia is mainly involved in the engineering stage and in the procurement of specialised equipment, whereas the construction activities are normally entrusted to partners specialising in civil works construction.

Operation and Maintenance (O&M) activities

Aqualia's O&M activities imply the delivery of projects, whereby the contracting entity grants Aqualia the right to provide O&M activities related to existing water assets or infrastructure.

By virtue of the agreements regulating these O&M activities, Aqualia provides services for the operation and maintenance of a number of assets linked to the water cycle, such as drinking water plants, processing plants, distribution networks, pumping stations, sports facilities and irrigation networks. These are short-term contracts that do not require an initial investment. O&M activities are generally characterised by the fact that there are not many entry barriers and investment requirements are low.

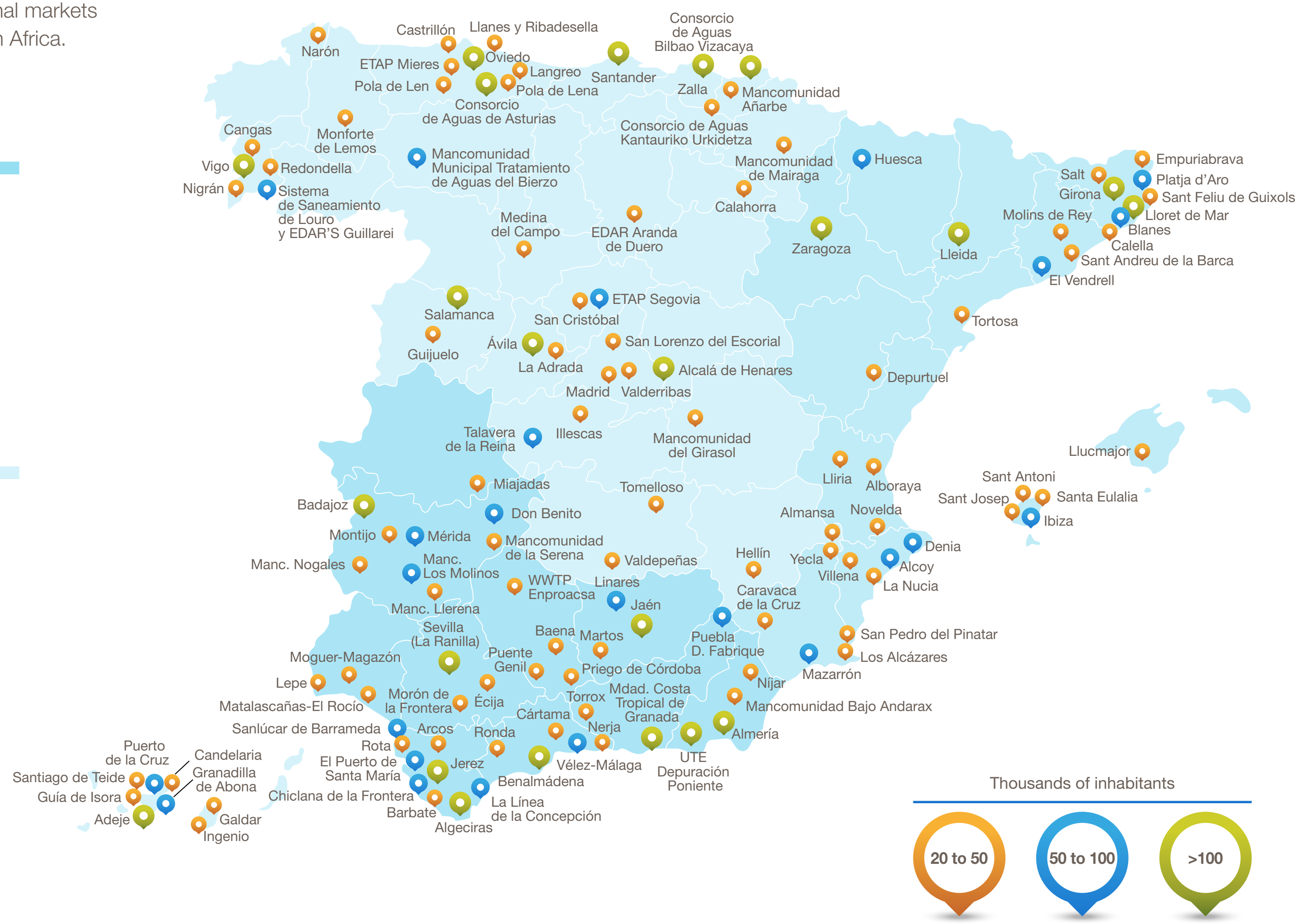
Geographic areas

Aqualia provides services in Spain and in international markets in Europe, Latin America, the Middle East and North Africa.

Spain

In 2017, **77.1% of Aqualia's revenues** were generated in **Spain**.

85% of revenues in Spain **came from regulated water management activities and 15% originated from unregulated activities**.



International market

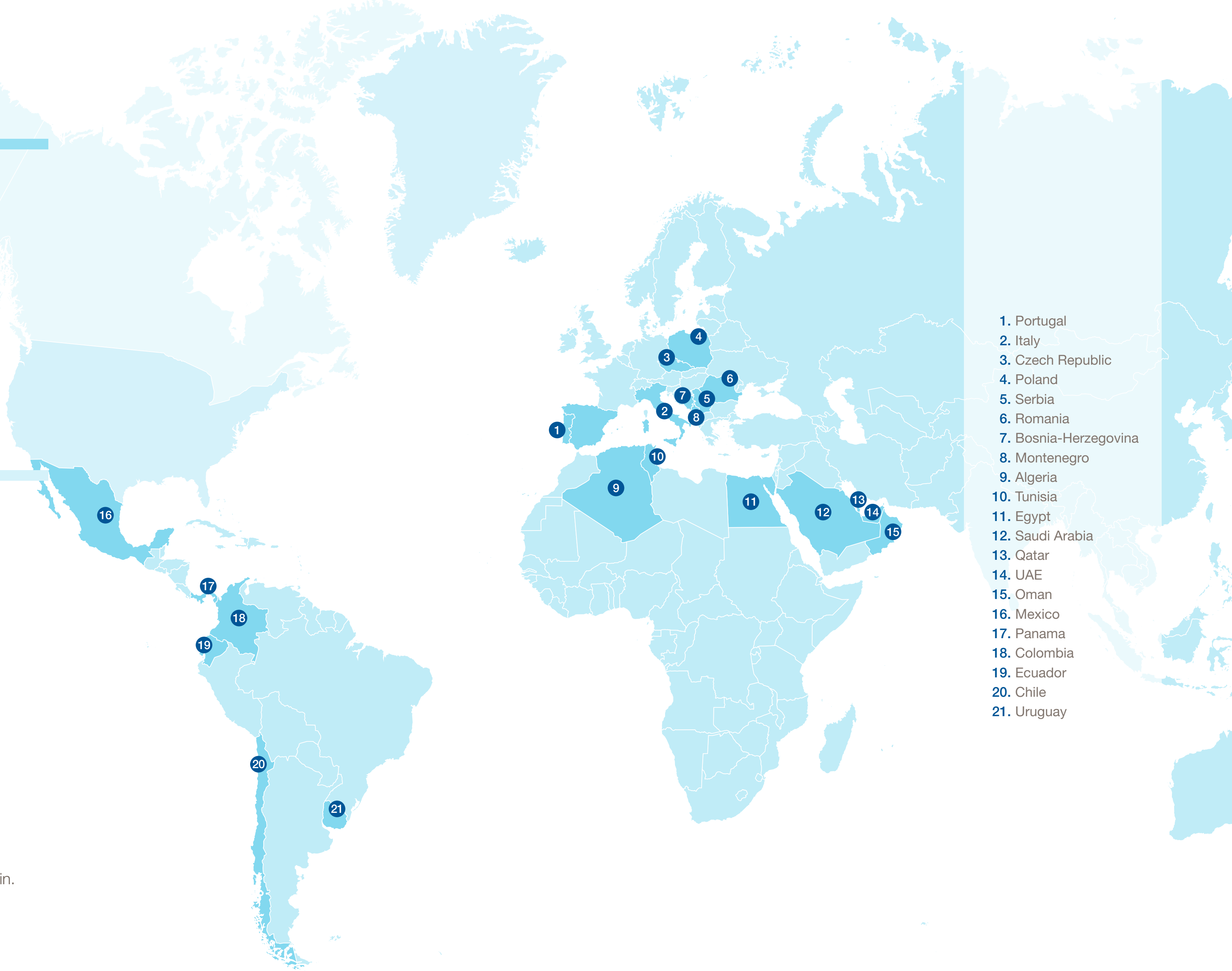
In 2017, **22.9% of FCC Aqualia's revenues** were generated in international markets.

10% Central Europe

1.4% Latin America

5.4% Rest of Europe

6.1% Middle East and others



1. Portugal
2. Italy
3. Czech Republic
4. Poland
5. Serbia
6. Romania
7. Bosnia-Herzegovina
8. Montenegro
9. Algeria
10. Tunisia
11. Egypt
12. Saudi Arabia
13. Qatar
14. UAE
15. Oman
16. Mexico
17. Panama
18. Colombia
19. Ecuador
20. Chile
21. Uruguay

* 77.1% of Aqualia income was generated in Spain.

Contracting

Domestic market

In the domestic market, there have been numerous tenders for contracting the management of services given that the terms of the contracts (between two and for years) require periodic calls for tender. In concessions, however, many tenders have not been called, on one hand, due to the current long-term contracts not maturing and, on the other hand, due to groups in municipalities opposed to public-private participation systems.

Contracts

- **Mogán (Las Palmas):** end-to-end water management system in Taurito, awarded by Aguas de Tirajana, for 15 years and a contract worth 17.5 million euros.
- **Burgos:** operation and maintenance service of the WWTP and cleaning service of the city's sewerage network, awarded by the City Council for a period of four years with a combined contract worth 10.4 million euros.
- **Madrid:** service for the urgent renewal and repair of the supply and regenerated water networks of Canal de Isabel II Management (Lot 9 Culebro Network), for a period of two years with a contract worth 6.2 million euros. Also, the operation and maintenance service of peripheral sanitation networks in the Culebro area, for a period of one year.
- **Castillo de Bayuela (Toledo):** concession for the end-to-end management of the operation, maintenance and conservation service of the wastewater treatment plant, for a period of 15 years with a contract worth 1.2 million euros.
- **Valle de Zalabí (Granada):** end-to-end water management service, awarded by the City Council of Valle de Zalabí for a period of 10 years.
- **Luarca (Asturias):** management of the CADASA wastewater treatment plant for a period of four years.
- **Huelva:** meter reading for GIAHSA for a period of four years.

Renewals, increases and extensions

- **Association of municipalities of Río Algodor (Toledo):** management of the water service for the Association of municipalities for a period of 20 years with a contract worth 67.3 million euros.
- **San Pedro Pinatar (Murcia):** management of the water supply, sanitation and purification service for a period of 15 years, for an amount of 60.0 million euros, awarded by the city council.
- **Louro (Pontevedra):** end-to-end water management concession in the Louro Consortium, for a period of three years with a contract worth 8.3 million euros, awarded to a joint venture in which Aqualia is a 70% shareholder.
- **Culebro (Madrid):** operation and maintenance service of the peripheral sanitation networks managed by Canal de Isabel II Management in the Culebro area, for a period of one year with a contract worth 5.8 million euros.
- **Cabeza de Horno (Salamanca):** drinking water supply services to the Association of municipalities of Cabeza de Horno, for a period of 10 years and with a contract worth 5.8 million euros.
- **La Guardia (Toledo):** management of the municipal water supply service for a period of 20 years with a contract worth 5.6 million euros.
- **Villanueva de Alcardete (Toledo):** concession of the municipal water supply and sewerage service for a period of 20 years and a contract worth 4.8 million euros.
- **Sant Antoni de Portmany (Balearic Islands):** management of the municipal water supply and sewage service for a period of one year with a contract worth 3.9 million euros.

Aqualia, has been chosen to manage the new Burgos treatment plant, designed to service more than 1,000,000 equivalent inhabitants.

- **Puerto de Santa María (Cádiz):** maintenance and conservation service of the city's WWTP and sewage system for a period of one year with a contract worth 3.5 million euros.
- **Oviedo (Asturias):** maintenance and conservation service of the Malpica WWTP and 29 other wastewater treatment plants in Oviedo, for a period of 30 years with a contract worth 3.5 million euros.
- **Santa Eulària des Riu (Balearic Islands):** management of the municipal water supply and sewage service for a period of worth year with a contract worth 3.2 million euros.
- **Güimar (Santa Cruz de Tenerife):** management of the municipal water supply and sanitation service for a period of one with a contract worth 2.2 million euros.
- **Quintanar del Rey (Cuenca):** management of the municipal water supply service for a period of 10 years with a contract worth 2.9 million euros.
- **Villaviciosa (Asturias), Oleiros (La Coruña) and Redondela (Pontevedra):** maintenance of the sports facilities of the three municipalities, for periods of one to three years.
- **Bilbao (Vizcaya):** maintenance of supply networks, lot A, for Udal Sareak (Aguas de Bilbao Consortium - Vizcaya) for a period of two years.
- **Huesca:** management of the wastewater treatment plant of Huesca, awarded by the Water Institute of Aragon for a period of three years.

International market

In the international market, Aqualia has been very active in tenders in various areas, particularly the following:

- **Glina, Bucharest (Romania):** award of a joint venture, in which Aqualia as a 60% shareholding in the contract for the design and construction of the Glina WWTP for an amount of 110 million euros.
- **Toulouse (France):** the company obtains the pre-qualification to bid for the tender to contract the water and sanitation management of Toulouse.
- **Karczew (Poland):** the company has pre-qualified to bid for the tender to contract the sanitation concession of the city of Karczew.
- **Abu Rawash (Egypt):** design, construction and operation for three years of the Abu Rawash wastewater treatment plant, awarded by CAPPW and the Ministry of Housing to a consortium in which Aqualia has a 50% shareholding and involves a contract worth 280.9 million euros.
- **Majis (Oman):** Aqualia has been selected as a private partner of the joint venture for the operation and maintenance of the Majis port area facilities for a period of 20 years and an amount of 78.9 million euros.
- **Riyadh (Saudi Arabia):** definitive relocation of the supply, sanitation and drainage services affected by the works on line 5 of the city's metro, which has involved a contract worth 23 million euros.

Luis de Lope (left), Aqualia's international director; Nabil Abdullah Humaid Al Ghassani, Independent Chairman of Majis; and Ahmed Al-Mazrouy, CEO of Majis; signing the agreement for the management of the Port of Sohar (Oman).

- **Azzira (Saudi Arabia):** operation and maintenance of the process water transfer system for populations and power plants of Azziya, Al Ammaria and Het, awarded by the NWC to a consortium in which Aqualia has a 51% shareholding, for a period of three years and an amount of 4.3 million euros.
- **Arraiján (Panama):** contract for the project, construction, operation and maintenance of the wastewater treatment plant of Arraiján Este, the trunk system and its interconnections and the operation of the sewage networks of Burunga and Arraiján Cabecera, for a term of 12 years and with a contract worth 84.6 million euros.

Service excellence

Customer services

For Aqualia it is essential to extend the company's commitment to society, seeking the goal of excellence in customer service. The company intends to stand out in the market by developing services adapted to its users' needs. During 2017, it has continued gearing the strategy towards end customers, particularly focusing on the quality of our channels used to interact with them.

In this respect, the customer management department implemented the Balanced Scorecard management tool, allowing us to link strategies and key goals with performance and results.

Aqualia has continued the campaign begun in 2016 promote the use of electronic invoicing and to gradually do away with paper invoices. This action has allowed for a 45.8% increase in the number of invoices issued electronically in 2017, contributing to preserving the environment, with 316,937 customer choosing to receive their invoice digitally compared to on paper.

The efficient management of a resource as valuable as water should include actions which aim to control demand. In this sense, in addition to the continuous renovation of the networks, plans are designed to detect fraudulent uses of drinking water. During 2017, 8,223 frauds were detected worth 3.2 million euros. In addition, and complementary to these actions, 262,580 meters were renewed under various contracts.

Aqualia continues to make progress along the road started in 2016 to offer all its customers an *omnichannel* experience in their relationship with the company:

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

- **Telephone assistance service (Customer Services Centre, *Aqualia Contact*):** allows users to take care of things without having to go to an office, and also contributes to considerably reduce the time required to solve breakdowns in distribution networks. The short time customers have to wait to report an incident (24/7/365 service) triggers off a quick and efficient action protocol to solve any type of incident in the network, which leads to improved water distribution efficiency. This customer service facility, available in six languages (Spanish, Galician, Catalan, English, German and French), received 769,227 calls during the year. Surveys were conducted with 99,068 customers of Aqualia Contact to measure their level of satisfaction, of whom 79,909 rated assistance as excellent, 14,113 as very good and 6,811 as good; giving a positive satisfaction rate of 95.73%.
- **Corporate website *www.aqualia.com*:** available in five languages, provides global information on the company. The website also has links to local sites, to various municipal water services provided by Aqualia, with more local and customised information on the company's presence in the municipality concerned. Through Aqualia's corporate and local websites, access is provided to the ***aqualiaOnline*** virtual office, where customers can handle service-related matters in the same way as they would in-person or by phone.

Aqualia has launched Smart Aqua, an application which allows all procedures related to the services provided by the company to be carried out easily and conveniently.

- ***Smart aqua*:** an mobile app which allows all procedures related to the services provided by Aqualia to be carried out whenever the customer wishes, providing a overview of their interrelationships with the company.

Since 2011, the aqualiaContact and aqualiaOnline channels have been certified with the UNE- ISO 27001 Standard, "Information Security Management Systems', meeting the security goals established by Law and ensuring the commitment to keeping our customers' data secure, as well as the integrity, availability and confidentiality of said data. The new channel *Smart aqua* was included in this certification in 2017.

The efficiency of all customer relationship channels allows for a very reduced number of claims. As of December 2017, this was 0.40% with an average response time of 11 days. Also noteworthy is the average meter installation time (from request) of six days.

Sustainable management

One of Aqualia's main objectives is to support the company's strategy in terms of compliance with the United Nations' Sustainable Development Goals (SDG), focusing on those which affect the water sector and its Stakeholders:

- No. 3. Promote well-being for all.
- No. 6. Sustainable water and sanitation.
- No. 8. Promote sustained economic growth.
- No. 9. Build resilient infrastructure.
- No. 11. Create sustainable cities.
- No. 12. Ensure sustainable production and consumption.
- No. 13. Urgently adopt actions to combat climate change.
- No. 14. Conserve marine resources sustainably.
- No. 15. Combat desertification and protect biodiversity.

Likewise, the company continues with its strategy to shared value creation strategy, heeding the expectations of its stakeholders and further developing the tools to know and measure the social and environmental impact, supporting the creation of economic value and increasing the company's competitiveness (calculating our social and environmental footprint). For this, in 2017 work has been done on the following aspects:

- **Adapting the Management System** to the structure of the new versions of the ISO 9001 and ISO 14001 Standards, which were published in 2015, for the International Activity. The following concepts have been adapted and incorporated into the Management System: leadership, context, stakeholders, risks, life cycle, biodiversity and climate change.
- Development of a methodology for **Asset Management** which the company manages in its concession and maintenance contracts.
- **Increased efficiency in Internal and External Audits**, through the integration of audits of the Quality, Environmental and Energy Management Systems.
- **Increased universality of management certificates**, through the inclusion of the activity developed by International Central Services and the Central Services of Europe, MENA, LATAM, USA, the Caribbean and Brazil in the Aqualia, S.A. General Certificate for ISO 9001 (Quality Management) and ISO 14001 (Environmental Management).
- **Export of Aqualia's work system** to other geographical areas through the statement of the Innovation Management System, certified by AENOR, to the Chinese accreditation entity (CNCA).
- Increase in the scope of the **Energy Management and Climate Change** strategy.
  - Calculation and verification of the carbon footprint of all Aqualia's activities in Spain and Portugal.
  - Inclusion in the Carbon Footprint Registry of the OECC (Spanish Climate Change Office) of MAPAMA (Ministry of Agriculture and Fisheries, Food and Environment) for all Aqualia's activities in Spain.
  - Plan to Reduce the Carbon Footprint of Aqualia's activities (2017 - 2019).

  - Participation in a CLIMA Project of the OECC of MAPAMA, for the use of alternative fuels, typical of the company's activity, in vehicles.
  - Culmination of the project to implement the Energy Management System in all activities in Spain, in compliance with RD 56/2016.
- Development of the **Business Continuity** project, by adapting the Operational Risk Map to FCC Group as a whole, including Critical Infrastructure and Crisis Response Plan aspects.
- Adapting the general procedures of the Management System to the FCC Group's **Compliance** model, by defining responsibilities and preparing legal and contractual compliance records.

- Participation in **Standardisation Committees** of the Excellence in Services Model, CEN/PC 420, and AEN/CTN 309 of Horizontal Services Standards (AENOR) and in the **Customer Experience Committee** of the AEC.
- Inclusion in the Circular Economy Commission of the Spanish Chamber of Commerce.

Complementary to the above, the strategy with the company's Stakeholders has been maintained, consisting of incorporating the treatment of Aqualia's Stakeholders into the Management System as a requirement of the new Standards and as support for other departments of the company in their daily work (Customers, CSR, Communication, HR, etc.). In this vein, the company has been certified as a Family Responsible Company (EFR), putting employees at the core of the organisation's stakeholders: employees, shareholders, customers, NGOs, universities, research centres, Certification and Accreditation entities, Public Administrations, associations and others.

Energy Management

Aqualia continued to address Energy Management during 2017 from the three perspectives which, when coming together in specific results, guarantee the solidity and sustainability of the actions carried out:

- Respect and protection of the environment.
- Managing energy resources efficiently.
- Economic efficiency in the application of energy.

From the environmental standpoint, the actions carried out by Aqualia have been aimed at fulfilling the commitments to reduce the Carbon Footprint in accordance with the commitments assumed in August 2016 after registration with the MAPAMA Carbon Footprint Registry.

Of the energy audits carried out during this year on different contracts managed by Aqualia, whose global consumption figure accounts for 85% of the total company (which has allowed us to certify the entire organisation under ISO 50001 in response to the entry into force of RD 56/2016 on Energy Efficiency in February), it is clear that, for a first objective of increasing energy efficiency, a set of investments exceeding 4.5 million euros is needed for an estimated energy saving of around 6%.

The average return period estimated for this type of investment is around five years, which is why it is necessary to identify external financing sources specifically designed for this type of action. In this sense, a plan to select Energy Efficiency Projects liable to receive some type of public financing has been set in motion, providing the company's production line and Aqualia's customers with a consultancy line, both for the preparation of the file for the subsidy and its submission, management and monitoring with national and regional public bodies.

Only counting Spain, Aqualia has more than 2,850 electrical supply points (CUPS), with an annual consumption of more than 478 GWH. Taking into account the high economic cost of electricity and its increasing tariff complexity, it is necessary to bring together tools, beyond the training of users, which allow their management and control.

For this purpose, a new computer application designed jointly with a technological partner for the control of electric billing was implemented in 2017 which, among other applications, allows centralised adjustment in contracting energy by various levels of the organisation, reactive energy consumption control and an analysis of offers as well as the automatic verification of the adjustment to electricity bills issued by the energy supply company, in relation to that contracted.

Likewise, various tools are being implemented (Empresa Creara and MC2) which allow for the statistical monitoring of operation periods, taking into account the schedule, which will allow the user (the person responsible for the contract) to adjust their production needs to the cheapest energy cost periods, in addition to the continuous supervision of the power demanded in relation to that contracted and the unwanted consumption of reactive energy.

Improvement projects in technical management

During 2017, various projects have been developed to optimise the company's technical management. The most significant, in terms of their impact on the organisation, are:

1. Reorganisation of the laboratory network

The project began in 2016, with the objective of, on the one hand, optimising the company's resources by carrying out the analyses on the consumption of water required by sanitary regulations and, on the other, adapting to the new European Directive for carrying out of such analyses, whose transposition into the Spanish system is expected in 2018.

This directive requires analyses be carried out under the UNE EN 17025 standard and audited by an authorised National Entity. In Spain currently, of the 27 laboratories in the Aqualia network, only five are accredited until this standard. The other 22 work under the UNE EN 9001 Quality Management and UNE EN 14001 Environmental Management system.

In the Czech Republic, there are two other accredited laboratories and in Italy the laboratory accreditation process will begin in 2018.

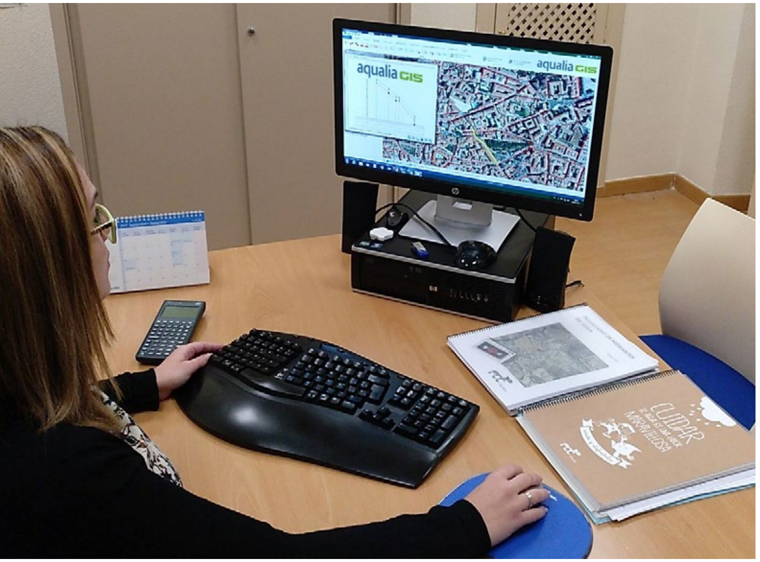
The carrying out of the analysis under the UNE EN 17025 standard is administratively much more complex and requires a more stringent level of precision, which implies excessive costs to address this transformation in all existing laboratories. On the other hand, it is about taking advantage of synergies and optimising the current costs of water analysis.

In this way, Spain we will move from a network of 27 laboratories, to another, more concentrated, of seven accredited laboratories and two certified, with a production capacity significantly higher than at present and a greater scope of accreditation, so they will be able to perform the analytical techniques which must currently be performed in external laboratories.

The new laboratory network in Spain will be fully operational for the second half of 2018, once the laboratories of Badajoz and Vigo (Pontevedra) are incorporated.

With the new configuration, during 2017, analysis was performed on a total of 24,388 samples distributed among the currently laboratories accredited according to the following table:

Laboratory	No. of samples analysed
Ávila	3020
Adeje	3422
Jerez	6149
Lleida	5991
Oviedo	5806
Total general	**24388**



The service team in Ávila working with the new Aqualia GIS.

2. New corporate GIS platform

Having a Geographic Information System (GIS) is essential to achieve efficient management of water and sewerage networks, at both the operational and planning levels. It has traditionally been part of Aqualia's offer, regardless of the characteristics and size of the contracts.

In 2005, Aqualia developed its first corporate GIS tool, which has been providing an adequate service until now. However, with the passing of time, the technology used has become obsolete for the company's new requirements.

To address this situation, Aqualia has developed, in conjunction with a specialised technology partner, and with the collaboration of the Operations and IT departments, as well as a large group of experts from the company itself, a new GIS tool, offering greater performance, perfectly adapted to the management environment of the business's own assets and with clear competitive advantages in relation to those existing in the market. There are no additional costs per licence, allowing its use regardless of size or economic capacity. In 2017, it was rolled out in the 68 largest contracts, and its global roll-out is expected in 2018.

3. Mobility of work orders project

This project, initiated and with a first version in 2017, is an evolution of the work order tool, included in the Aqualia GESRED platform. It aims to provide connectivity to field operators through mobile devices with work order management centres.

It is also integrated with the GIS tool to allow faster and more efficient management in the resolution of field work, in both the Customers and Operations areas. The first pilot test is being carried out in Salamanca, awaiting its final roll-out throughout 2018 in the contracts which require it.

4. Network intelligent management platforms

Currently, a large number of contracts have telecontrol systems for the facilities. Up to now, the monitoring and analysis of the data is carried out manually by the contract staff, which entails a cost in time which is not always compensated with the results obtained.

On the other hand, telecontrol systems offer a huge amount of data which, managed manually, is not properly taken advantage of. New data management technologies allow much greater use of them at affordable costs, with results which are difficult to match with manual management, regardless of the time spent.

In 2016, through a European FP7 project, the implementation of the TaKaDu platform began, the most advanced at that time for the intelligent management of the supply network. TaKaDu is an integrated system of events which, through a system of data analysis of the water network, allows its management to be improved.

TaKaDu detects events (incidents) in the water distribution network through predictive models and analysis of data from a variety of sources.

The first implementation was carried out jointly in the contracts of Almeria and the Association of municipalities of Bajo Andarax (Almeria) and, later, throughout 2017, in the contracts of Níjar (Almeria) and Sant Josep (Ibiza).

At an operational level, the ratio of leaks found/km has increased significantly, as has the control of events in the network (low pressures, anomalous flow rates, etc.).

Also during 2017, another tool called LakeFinder with similar characteristics was launched, although with different water fundamentals, it being more economical and with less need for network sectorisation. This tool, which issues reports of events similar to TaKaDuj45, is also capable of generating virtual sectors, which makes it ideal for highly meshed networks. It is still in testing in the contract of Alcalá de Henares, although the results seem quite positive.

Innovation and technology

In accordance with the established strategic plans, Aqualia's innovation activity continued to grow during 2017 to collaborate in the development of the company's technology proposal. The table below presents the projects developed in each of the four lines of work in which the activity of the Innovation and Technology Department is organised: Sustainability, Eco-Efficiency, Quality and Intelligent Management.

Of the 15 programmes currently in progress, 10 are European Union programmes. Of those one is from the FP 7 programme, four from the H2020 programme and five from the Life programme which, in 2017, celebrated its twenty-fifth anniversary.

sustainability	eco-efficiency	quality	intelligent management
CDTI Sólidos Sostenibles (2012*)	ECO Inno Cleanwater (2017)	MIMAM MBBR Hybacs (2010*)	MEC Mantenimiento Predictivo (2012*)
FP7 SWAT (2013*)	RETOS Renovagas (2017)	INCITE MBR Trainasa (2012*)	INNPRONTA IISIS (2014*)
CENIT VIDA (2014*)	CIEN SmartGreenGas (2018)	INCITE ELAN Trainasa (2012*)	INNTERCONECTA Smartic (2014*)
IDEA Regenera (2015*)	H2020 Mides (2020)	CDTI ELAN Vigo aqualia (2013*)	FP7 UrbanWater (2015*)
INNPACTO Downstream (2015*)	LIFE Answer (09/2016-2019)	INNPACTO Filene (2014*)	CDTI WATER JPI Motrem (2017)
LIFE Biosol water recycling (2018)		INNTERCONECTA Alegría (2014*)	Virtual CSIC (2019)
FP7 All-gas (2019)		INNPRONTA ITACA (2014*)	LIFE icirbus4industries (2020)
H2020 Incover (Jun 2016-2019)		LIFE Remembrane (2015*)	Run4Life (June 2017-2021)
H2020 Sabana (12/2016-2020)		INNOVA Inpactar (2015*)	
		INNOVA E3N (2017)	
		CDTI BESTF2 Biowamet (2018)	
		LIFE Memory (2018)	
		CONECTA PEME Medrar (2018)	
		WATERWORKS Pioneer (2018)	
		LIFE Methamorphosis (2019)	

(*) Completed projects.

Four projects were completed in 2017 with the following results being obtained:

- **Renovagas:** co-financed by the Mineco Innpacto programme and led by Enagás, it has operated a prototype catalytic reactor developed by Tecnalia in the Jerez WWTP. Through the use of new online instrumentation it has been shown that the quality of the enriched methane allows it to be used as a biofuel, using the CO_2 of the biogas and the hydrogen produced with renewable electricity.
- **CleanWater:** subsidised by the EU's Eco-Innovation programme, it has tested a new way to produce hypochlorite in-situ for disinfection in water treatment plants, avoiding the risks of transporting and using chlorine gas, both in the Water Service of Almeria (reuse of wastewater) and in the Water Service of Denia, in Alicante, (pre-oxidation in the desalination plant). A third set of equipment was installed in Nigrán, in Pontevedra, at the beginning of 2017.
- **Motrem:** supported by the WATER JPI initiative, it is a project led by the Rey Juan Carlos University of Madrid, together with three other universities from Finland, Italy and Germany. The project has assessed new technologies to control and treat emerging pollutants (EPs) in urban wastewater reuse plants.
- **Innova E3N (energy efficient nitrogen removal):** has followed on from the Innova Impactar project funded by the regional government of Cantabria, seeking optimisation of the pilot plant with aeration by membranes installed in the San Claudio WWTP (Asturias), with the aim of its use as a small compact wastewater treatment plant in decentralised facilities.

In addition to the two projects of the European H2020 programme started in the first half of 2016 (Mides and Incover), in 2017, Aqualia became involved in two new consortia subsidised by this same European Union programme:

- **Sabana:** led by the University of Almería, with Aqualia as the main principal industrial partner, together with Westphalia (Germany) and the Italian food group Veronesi in a consortium of eleven entities from five countries (including the Czech Republic and Hungary). The project proposes the initial construction of one-hectare facility for the cultivation of microalgae, with the aim of testing the production of new biofertilisers and biopesticides, to subsequently construct a five-hectare biorefinery which will allow alternative products from microalgae to be obtained; a model of aquaculture that is respectful of the environment and safer for the consumer.
- **Run4Life:** led by Aqualia, has fourteen partners from seven different countries, and aims to implement new recovery concepts of nutrients from the separation of grey and black water in four demonstration locations (Sneek/Netherlands, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain). Also developed in parallel will be new ways of valuing the water and energy nexus and controlling decentralised management systems.

In 2017, six projects entered the final phase of development, with completion expected next year:

- **Life Memory:** has demonstrated, in a 50 m^3 reactor in Alcázar de San Juan (Ciudad Real), the technical and economic viability of an innovative technology, an Anaerobic Membrane Bioreactor (AnMBR). This new technology allows for the organic matter contained in the wastewater to be converted directly into biogas, without the conventional stages of primary decanting and secondary aerobic treatment. A disinfected reuse water rich in fertilisers is achieved, with a reduction in energy consumption and CO_2 emissions by up to 80%, reducing the space required by 25% and the production of sludge by around 50%.
- **Biowamet BESTF2:** is being developed within the European ERANET programme, with the participation of Southampton and Delft universities. In synergy with the Life Memory project on anaerobic reactors with membranes, this project is based on the implementation of an AnMBR in a small WWTP of Baix Ebro to obtain bioenergy and reusable water.
- **Life Biosol** (Biosolar water reuse and energy recovery): led by the French SME Heliopur, has solar disinfection of reuse water as its aim and also recovering the organic waste produced in the process. After a first stage demonstration at the facilities of Fundación Centa (Seville), a larger-scale installation is being implemented at the Toyo wastewater treatment plant in Almeria.

Volkswagen with which Aqualia is testing the biogas produced in the El Torno treatment plant (Chiclana, Cádiz) from the All-gas innovation project.

- **Pioneer:** within the European ERA-NET Cofund Water Works programme in the WATER JPI Initiative, and led by the USC, it brings Aqualia together with a network of prestigious Universities (Verona/Italy, DTU/Denmark and KTH/Sweden) to seek processes which improve the elimination of micro-contaminants. In parallel, ELAN and struvite precipitation technologies are also optimised in plants managed by Aqualia to reduce the environmental impact of the wastewater treatment process
- **Medrar:** co-funded by the Conecta Peme programme in Galicia and with the support of the European Regional Development Fund, has the objective of improving treatment in small towns and villages. Together with two Galician SMEs and led by the University of Santiago de Compostela, compact and automated modules are being developed for the purification of wastewater, integrated into the rural environment, with low installation and maintenance costs and minimal environmental impact.
- **Smart Green Gas:** from the National Business Research Consortia program (CIEN), supported by the CDTI (Centre for the Development of Industrial Technology). Aqualia leads a consortium with five other companies (Gas Natural Fenosa, Naturgas/EDP, Ecobiogas, Diagnostiqa, Dimasa Grupo). Several new methodologies have been implemented within the scope of this project to increase the production and quality of biomethane in wastewater treatment plants managed by Aqualia, such as those in Seville, Jerez and Aranda de Duero (Burgos), to improve the generation of electricity or to power vehicles, and also hoping reach the conditions which allow its injection into the network.

During 2017, two projects were extended so that the built facilities can be operated at full capacity for a longer period of time after their start-up:

- **FP 7 All-gas:** the project is now in its final large-scale demonstration phase, completing the construction of two hectares of algae cultivation and a 2,700 m^3 digester - the world's first algae biofuel plant. After start-up, up to 2,000 m^3/day of municipal effluent will be transformed into reuse water and algae biomass, generating biomethane to power up to 20 vehicles/ha with a positive energy balance. The entire chain of processes will be validated for one year, and the biofuel will supply several vehicles, to confirm its quality and the first observations of a first car powered by the 1,000 m^2 prototype, which has already covered 40,000 km.
- **Life Methamorphosis:** it is a consortium project formed by six entities (Metropolitan Area of Barcelona, FCC SA, Gas Natural, Icaen and SEAT) and led by Aqualia, which is finalising the construction of a large demonstration plant in the Ecopark of Besós, managed by FCC Group. The process integrates three technologies recently developed by Aqualia (the AnMBR, the ELAN - autotrophic nitrogen removal - and the washing of biogas), to convert leachate from urban waste into biomethane. The fuel will be tested for its injection in the natural gas network and in vehicles.

Another four European projects, two within the Life programme and another two within the H2020 programme, are in their control phase:

- **Life Icirbus** (Innovative circular businesses): led by the Intromac technology centre, it brings together eight companies to demonstrate the reuse of waste from treatment plants for construction materials and the generation of biofertilisers in a plant managed by Aqualia in Extremadura.
- **Life Answer:** led by Mahou, installs microbial debugging cells technology (fluidised MFC - developed by Aqualia together with the University of Alcalá de Henares in a previous project) in the beer production factory of the consortium's leader in Guadalajara. The project's main goal is to save energy in the process, and the recycling of the residual aluminium from the cans, through a combination of the process with a pre-treatment based on electro-coagulation.

- **H2020 Incover:** a project led by the Aimen technology centre in which Aqualia is the largest company in a consortium of 18 entities from seven different countries, based on knowledge acquired in the All-gas project. It increases the use of algae biomass in higher value products, such as biofertilisers and bioplastics and the production of reuse water is improved.
- **H2020 Mides:** aims to reduce the energy cost of desalination by a factor of 10 compared to conventional reverse osmosis. The technology used — the microbial desalination cell (MDC) was developed with Imdea Agua (in a previous IISIS project) — allows waste organic material (from effluents) to be used to activate bacteria that displace salts via membranes with no need for external energy sources. The project involves 11 partners from seven countries to implement the technology and set up three demonstration units in three regions (Spain, Africa and America), starting at the Aqualia plant in the Water Service of Denia.

Throughout 2017, the European patent on the production and refining of biomethane was obtained (EP 15382087.3 - washing of biogas and the removal of H2S and CO_2) and the corresponding brand ABAD (Absorption-Adsorption Bioenergy). Also, in conjunction with the University of Valladolid and thanks to SGG funding, patent EP 17382699.1 on pressure digestion to obtain methane enriched biogas has been applied for.

In terms of publications and participation in scientific and professional conferences and events, in addition to about twenty events in Spain, Aqualia was invited to participate in several international events in 2017:

1. World Water-Tech Innovation Summit	London (UK)
2. European Algae Industry Summit (ACI)	Nice (France)
3. SWAN 7th Annual Conference	London (UK)
4. REGATEC 2017	Verona (Italy)
5. Global Water Summit	Madrid (Spain)
6. IWA Leading Edge Technologies 2017	Florianopolis (Brazil)
7. WATEC 2017	Palermo (Italy)
8. The BIG Phosphorus Conference - Removal & Recovery	Manchester (UK)
9. IWA Membranes for Water & WW Treatment	Singapore
10. EIP Water Conference	Porto (Portugal)
11. World Congress of Chemical Engineering	Barcelona (Spain)
12. IDA 2017 World Congress on Water Reuse & Desalination	São Paulo (Brazil)
13. European Nutrient Event ESPP	Basel (Switzerland)
14. Future of Biogas Europe 2017 (ACI)	London (UK)
15. ENEG 2017	Évora (Portugal)
16. VAlgaEurope 2017	Berlin (Germany)

Business lines

3

Infrastructure

The **construction** area of FCC Group recorded an aggregate total attributable order book of **4,935.3 million euros**. Gross operating profit amounted to **70.3 million euros.** Additionally, the improvement of domestic activity translated into a **1.7%** increase in revenues to **1,681.5 million euros**

With cumulative experience of more than 115 years, the construction area of FCC Group is present in 21 countries (Canada, United States, Mexico, Brazil, Colombia, Chile, Peru, Panama, Costa Rica, Dominican Republic, Nicaragua, Guatemala, Spain, Romania, United Kingdom, Belgium, Ireland, Portugal, Egypt, Saudi Arabia and Qatar) and its activities cover all areas of engineering and construction.

It is a leader in the construction of civil works (roads, railways, airports, hydraulic works, maritime works, tunnels and bridges) and construction (residential and non-residential: hospitals, football stadiums, museums and offices, etc.). Currently, it is the fourth-largest construction company in Spain and in the top fifty in the world.

It has proven track-record in implementing projects under the concession regime, and has a group of companies dedicated to the industrial sector, grouped together under the brand FCC Industrial, as well as other activities related to the construction sector.

In 2017, the construction area of FCC Group recorded an aggregate total attributable order book of 4,935.3 million euros. Gross operating profit (EBITDA) amounted to 70.3 million euros, a noteworthy increase on the 55 million euros in 2016. Additionally, and whilst international operations remain in line with those of the previous year, the improvement in domestic activity resulted in a 1.7% increase in revenues to 1,681.5 million euros.

Sector analysis

New Atlético de Madrid Stadium. Wanda Metropolitano (Spain).

Domestic market

Demand has changed over recent years. Investment in infrastructure in Spain has been drastically reduced as a result of the economic crisis, although, according to Bank of Spain forecasts, it is estimated that investment in infrastructure in Spain will see an increase of 3.8% in 2018 and of 4.2% for 2019.

Forecasts from the European Commission for 2017/2018 put Spain in the penultimate position of the investment ranking of the European Union, ahead of Portugal, with a value (1,660 euros/km^2 per million inhabitants), 32% lower that the investment ratio of the past 22 years. From this it is concluded that this forecast widens the gap between Spain and our main European partners. In the period forecast, public investment valued in terms of area and population increased 32% in the UK, 20% in Germany and 1% in France. In the case of Italy, the ratio experienced a decline of 17%, substantially far from 32% reduction expected for Spain.

According to data from SEOPAN, public tendering by 38% (8,309 million euros) in 2017 and public procurement by 32% (4,755 million euros) with respect to 2016 although, in both cases, these figures represent a third of the volume of 2007 and continue at levels close to historical lows. In addition, the concession activity fell 46% (239 million euros) with respect to the previous year and 97% in the last 10 years, which suggests that Spain is still far from recovering an acceptable level of public investment which gives a significant deficit of more than 114,000 million euros in priority infrastructure to be carried out in the short term: end-to-end water cycle (12,014 million euros), environment (6,522 million euros), health and education (10,550 million euros), mobility and urban accessibility (38,290 million euros), mobility and interurban transport (46,256 million euros) and logistics infrastructure (699 million euros).

At the current rate of investment it would take 136 years to complete the necessary environment infrastructure, 40 years to resolve the cumulative investment deficit in transport infrastructure and the end-to-end water cycle, and it would also be necessary to double the current investment in public infrastructure (health and education) to recover the investment deficit accumulated between 2011 and 2016 in four years.

International market

Europe

Infrastructure production in Europe in 2017 has grown by 3.5%, an exceptional result which has come about thanks to an economy which was more robust than initially forecast and which has contributed to improving family income, business results and public finances

This favourable environment, amplified by the credit factor, has brought a greater demand for construction with it, both privately and publicly. However, the forecast is for lower growth in 2018 (2.6%) and 2019 (2.1%).

European Fund for Strategic Investments: current situation

264,300 million euros in total investment approved

Spain is part of 53 projects approved and signed with a total investment of **13,208 million euros**, with **5,110 million euros** of EFSI financing.

12 Spanish projects in transport and social infrastructure: 10 signed and two approved, **2,611 million euros** in total investment with **1,244 million euros** of EFSI financing.

Mersey Gateway Project (United Kingdom).

United Kingdom

Construction market

- The growth of the British economy in 2017 was 1.8%, the lowest in the last five years. The uncertainty surrounding Brexit is holding back activity, although this impact is less than initially estimated and it is feasible that GDP will grow 1.7% in 2018.
- Construction is expected to increase by 0.7% in 2018 and 2.2% in 2019, according to the Construction Products Association (CPA). It is anticipated that, until 2019, growth will be driven primarily by increased activity in infrastructure and an increase in the construction of private homes. These positive results would offset the declines expected in commercial and industrial construction.

Factors to watch

Brexit negotiations, especially in relation to the construction labour force and infrastructure investment by the government to strengthen the economy.

Bucharest Metro. Line 5 Magistrala (Romania).

Romania

Construction market

- Romania witnessed the highest growth in the European Union in 2017; 5.7% according to EUROSTAT data, continuing the upward growth of the last four years.
- Residential construction increased by 12.1%, while civil works fell by 11.2%, with respect to the previous year.

Factors to watch

- Combating corruption continues to be an issue in Romania.
- Monitoring application of the General Master Transport Plan for Romania ("TMP"), which is hoped to be a significant boost to the development of the transport, railway, land, naval, air and multimodal transport infrastructure during the next 15 years.

Portugal

Construction market

- Growth of the sector was 5.9% in 2017.
- By sector, the growth of residential construction will be 7%, expecting it to be the main boost to the economy in 2018.
- In 2018, the construction sector should remain positive, with growth of 4.5% forecast.

Factors to watch

New infrastructure investment plan in the country.

Latin America

Mexico

Construction sector

- The Construction GDP fell of 1.7% in 2017 as a consequence of a sharp decrease (-10.7%) in investment in public works as well as a gradual deceleration of the construction sector (-0.3%).
- Slight growth in the construction industry of 0.3 and 1% is foreseen in 2018 considering that the budgetary investment for 2018 will have a real growth of 4.7% in relation to that recorded in 2017.

Factors to watch

- The relationship between then United States and Mexico.
- The Presidential elections in 2018 and, depending on the candidate, the impact on the project for the new International Airport in Mexico City.

Peru

Construction sector

- The construction sector ended the year with growth of 14.25%, thus being a year of expansion.
- An internal increase in cement consumption (6.59%) and an increase in the investment in public works (42.35%).

Factors to watch

- The construction of halted infrastructure and the non-resolution of the problems related to corruption.
- Reconstruction plan that has a budget of 7,400 million dollars for the period 2017-2020.

Colombia

Construction sector

- In 2017, the construction sector increased 10.4% compared to 2016.
- The growth outlook for the construction sector in 2018 is 4.6%.

Factors to watch

- The pace of the infrastructure plan's implementation.
- Evolution of key works in the country: Toyo tunnel and Wastewater treatment plants: El Salitre and Barrancabermeja.

Panama

Construction sector

- Public investments in Panama increased by 11% compared to 2016.
- In relation to the type of construction, the highest growth was seen in residential projects (12% more than in 2016) followed by non-residential projects (11% more).

Factors to watch

- Presidential elections in April 2019.
- Evolution of key tender processes: line 3 of the Panama Metro.
- Evolution of the works on line 2 of the Panama Metro: World Youth Day (January 2019)

North America

USA

Construction sector

- The Dodge Construction Outlook report for 2018 notes that the beginning of works in the USA. will be increased in 2018 by 3% reaching 765,000 million USD.
- Commercial construction will increase by 2%, after a 3% increase in 2017, and continue to decelerate. The construction of offices should see the best growth in 2018.
- Institutional construction will increase by 3%, maintaining its upwards path after growth of 14% this year.
- Industrial construction will fall back 1%.
- The construction of public works will improve 3%.
- Electrical services and gas plants will fall by 13%, falling for the third consecutive year after the exceptional figure reached in 2015.
- The USA continues to accelerate its rate of expansion, which will be reinforced by the stimulus of the tax reform for consumption and investment. Growth of 2.5% is expected for 2018.

Factors to watch

Evolution of the application of the US government's infrastructure plan

Middle East

Saudi Arabia

Construction market

- "Vision 2030": diversifying the economy is a government objective embodied in the so-called "Vision 2030", a large set of measures aimed at strengthening non-oil sectors and developing infrastructure, which requires a greater investment share of foreign direct investment (FDI).
- Construction of transport infrastructure and engineering services: the kingdom of Saudi Arabia is investing in its urban transport system, metro and buses, as well as various interurban roads, freight and high speed projects.

- Renewable energies: within the economy diversification plans, collated in the "Vision 2030", renewable energies hold great acclaim. The Saudi government plans to carry out new solar and wind energy projects, such as the photovoltaic plant in Al-Jouf (300MW) or wind farm in Tabuk (400MW).
- Hospital management and equipment and consumables for hospitals: the health sector will grow at a rate of 12.3% until 2020. At least 87 projects will be carried out during this period, including hospital complexes, which will boost the development of the sector.

Factors to watch

Currently, a review is being conducted of government contracts worth USD 69,000 million.

Qatar

Construction sector

- Investment in the construction sector in 2017 increased to 26,622 million USD, implying 45% of total investments in Qatar for the period 2015-2018 (Ventures Onsite, 2017).
- Qatar is one of the countries in the Gulf region where there is greater dynamism in the construction activity, both in residential construction and infrastructure works or construction of centres for commercial or manufacturing activities.

Doha Metro, Red Line (Qatar).

Factors to watch

- The infrastructure related to the 2022 FIFA World Cup.
- Expansion of the metro network in the country's capital. Pre-qualification for the Metro's Green Line.
- The expansion project of Doha's new international airport, Hammad International Airport, had a budget of 5,500 million USD. Numerous water and electricity projects, valued at 22,000 million USD up to 2020 (Energising the Industry Online, 2017).

Industrial activity

In the industrial sector, FCC Industrial focuses on various subsectors, ranging from manufacturing to operation and maintenance, as well as the design and construction of, industrial facilities.

The economic situation in Spain has stabilised and there is some growth in certain sectors, such as the construction and automotive sectors, which positively affects the evolution of the business. Internationally, oil prices are affecting large projects in the oil and gas and fossil-fuel-based power generation sectors, but there is some growth in renewable energies in Latin America and the Middle East and in Europe in waste recovery, sectors in which FCC Industrial is present as part of the diversification of activities and markets strategy.

Bus station. Toronto Metro (Canada).

Activities and geographical areas

FCC Construcción

FCC Construcción is a benchmark in the execution of civil engineering (roads, railways, airports, hydraulic works, maritime, tunnels, bridges) and construction (residential and non-residential: hospitals, football stadiums, museums, offices, etc.) and it contributes to the development, prosperity, stability and health of the social environment in which it operates, directly and indirectly creating employment, boosting the economy and creating value for citizens.

FCC Construcción is a **benchmark** in the execution of **civil engineering and construction**, and **contributes to the development** of the social environment in which it operates by driving the economy and **creating value** for citizens

National projects

- **New railway access, access and shipping roads in the Port de Barcelona (Barcelona, Spain).** Inaugurated in November 2017.
- **Structural upgrading to the L.A.V. Madrid-Seville, Lot 1 (Spain).** Structural upgrading of new bridges, corresponding to the Mora maintenance base (Toledo).
- **Waterproofing of the Pajares tunnels. Northern Lot (Spain).** The work is concentrated inside the Pajares tunnels along their 14,817 metres (for the western tunnel) and 14,836 metres (for the eastern tunnel).
- **Mediterranean Corridor rail link (Spain).** It is part of the Madrid-Barcelona-French border high-speed railway line. The section has a 65.2-kilometre-long dual track on which trains travel at 220 kilometres per hour.

- **Accesses to La Sagrera station (Barcelona, Spain).** The works consist of the construction of access sections to the future station of La Sagrera and the two suburban lines Villafranca-Maçanet and Vilanova-Mataró.
- **High-speed Madrid-Extremadura railway trackbed for the Alcántara Reservoir-Garrovillas section (Spain).** The works consist of the construction of a new 6.2-kilometre long high-speed dual-trackbed with international track gauge for passenger and freight traffic.
- **High Speed trackbed for Madrid-Extramadura Section: Arroyo de la Charca-Grimaldo (Spain).** It deals with the laying of 6,407 metres of high-speed track.
- **North Vigo accesses (Galicia, Spain).** The project consists of the construction of civil works at the rail yard.
- **North-North-West High Speed Corridor Section: Vilariño – Campobecerros (Spain).** Two single track tunnels have been built with a length of 6,725.50 metres on the right track and 6,706.50 on the left track.
- **Construction of a track on a sheet at the Talgo patent facilities in Rivabellosa (Álava, Spain).** Construction of 200 metres of mixed-width track on a sheet, assembly of a maintenance hall, execution of three levelling pits for the weighbridge assembly as well as the associated facilities for its start-up.
- **Remodelling of the Suanzes station on Line 5 of the Madrid Metro (Madrid, Spain).**

AVE Madrid-Extremadura. Alcántara-Garrovillas reservoir section (Spain).

- **Activities on the trackbed for Line 8 of the Madrid Metro between Mar de Cristal and Barajas stations (lot 2) (Madrid, Spain).**
- **Maintenance of the Iberian gauge lines of the conventional train network. Management of Burgos, Aranjuez and Cordoba (Spain).** The scope of this maintenance is more than 2,000 kilometres.
- **Maintenance on the Mora-Calatrava High Speed Line (Spain).** This maintenance covers an extension of 337 kilometres.
- **Complete replacements of track devices in the southern head of Puerta de Atocha station (Madrid, Spain).** Actions to replace 26 track devices in Atocha station without causing any interference to existing traffic.
- **Maintenance of the Metro (Madrid, Spain).** Approximately 50% of the Madrid Metro network is currently being maintained.

33 family homes in Nuevo Tres Cantos (Spain).

- **Rail line of Line 1 (Alicante, Spain).** The work consists of the project and execution works of a tunnel under the Serra Grosa, as well as a lower step on Avda. Villajoyosa, and the development of all the necessary superstructure with tram trackbed, electrification, catenary, security system, and connections with the existing track.
- **Parc Sagunt housing estate, Sector 4 (Valencia, Spain).**
- **Link N-344 to Jumilla-Link C-3223 to Yecla of the motorway A-33, Cieza-Fuente, La Higuera (Murcia, Spain).** Subsection 2, managed by FCC, has a length of 7.5 and was inaugurated in October 2017.
- **Nuevo Tres Cantos housing estate (Madrid, Spain).** A housing estate on 329 hectares, of which 100 hectares is reserved for residential use for 8,000 homes. At present, the construction area of FCC Group is building 171 homes.
- **La Aldea - El Risco road (Gran Canaria, Canary Islands, Spain).** It is a re-mapped conventional road 10.15 kilometres in length. The project includes the construction of a 3,162 metre bidirectional tunnel, the longest excavated on the Islands to date. Inaugurated in April 2017.
- **Almonte viaduct (Spain).** The viaduct above the river Almonte is within the subsection of the Alcántara-Garrovillas reservoir, is 6,265 metres long and forms part of the Madrid-Extremadura-Portuguese border high-speed railway line. The central part has a 384-metre concrete arch which makes it the largest span reinforced concrete arch bridge in the world.
- **Secondary and Tertiary Network in Sector 6 in Verdú and Preixana (Lerida, Spain).**
- **Enciso dam on the river Cidacos (La Rioja, Spain).** This is a straight gravity dam constructed in roller-compacted concrete with an approximate volume of 691,000 cubic metres in the its body. The work will improve the supply of water for domestic, agricultural (up to 8,000 hectares) and industrial use. The end date is 1 October 2018.
- **Castrovido dam (Burgos, Spain).** This infrastructure is currently about 93% complete. It has a capacity of 44 cubic hectometres and has a surface area of some 214 hectares. The dam will facilitate the water supply to more than 30,000 people and will improve the availability of irrigation for 6,000 hectares, with the consequent social and economic benefits for the region
- **Heightening of the Yesa dam, (Navarre, Spain).** In April 2017, the body of the Yesa dam reached the level of the concrete screen. This work will allow the reservoir capacity of the current Yesa dam to triple to 1,500 cubic hectometres.
- **Project and adaptation works to the National Water Quality Plan of the Soto Gutiérrez WWTP (Ciempozuelos, Madrid, Spain).** The expansion of the Soto Gutierrez WWTP, as well as remodelling the biological reactors of the existing WWTP.
- **Albuñol WWTP (Granada, Spain).** Construction of pumping stations in Rábita and in Pozuelo, together with the construction of the intermediate connection stations with the two previous ones as well as the collectors of these stations to the WWTP. In turn, the construction of the activated sludge WWTP was awarded.

Puerto de Granadilla (Spain).

- **Expansion of the Port of Playa Blanca (Lanzarote, Canary Islands, Spain).** Increase of 75,000 square metres to the port of Playa Blanca, 38,000 of which are covered water and 37,000 on land.
- **New Port of Granadilla, Tenerife (Tenerife, Canary Islands, Spain).** New construction port formed by a shelter dyke of 2,400 metres in length.
- **Santa Cruz de la Palma Coast (Santa Cruz de la Palma, Canary Islands, Spain).** Creation of a 740,000 cubic metres borrowed sand beach, obtained by dredging the northern area of the island.
- **Conference and Exhibition Hall, City of León (León, Spain).**
- **Comprehensive renovation of the Fernando Reig bridge in Alcoy (Alicante, Spain).** The works consisted of replacing the 38 bridge ties, the central pilaster being repaired and the aesthetics of the bridge being modified.
- **Salamanca Hospital (Salamanca, Spain).** With a gross built area of 183,433 square metres, the new building is expected to house 957 beds, 25 operating theatres and 315 rooms for consultations, nuclear medicine, teaching and research.
- **Lleída UPSM Hospital (Lerida, Spain).** Construction of a new hospital building of approximately 12,500 square metres, intended for mental health patients, teaching and administration. It consists of a basement and a ground floor. It has 86 rooms, 126 beds, common areas, chapel and conference room.
- **Hotel Torre Sevilla (Seville, Spain).** Contract which includes the renovation of the interior of the current Torre Sevilla to make it into a 5-star luxury hotel in its final 12 stories. This phase ended in June 2017. The remodelling of another six floors of the tower to expand the hotel was subsequently awarded to FCC Construcción.
- **Phase 3 EUIPO headquarters (Alicante, Spain).** Construction of phase 3 of the EUIPO (European Union Intellectual Property Office) head office, consisting of the drafting of the project and the construction of two office buildings.
- **New Atlético de Madrid Stadium (Spain).** The project has consisted of the expansion and construction of Atlético Madrid's new Wanda Metropolitano Stadium. The roof is a unique element and sets the stadium apart from other European sports facilities designed in recent years. Inaugurated in September 2017.
- **129 Homes in Cornellá de LLobregat (Barcelona, Spain).**
- **120 Homes in Elche (Alicante, Spain).**

Bucharest Metro. Line 5 Magistrala (Romania).

International projects

Romania

- **Bucharest Metro. Line 5 Magistrala. (Romania).** FCC Construcción signed the contract in July for the construction of the railway superstructure and electrification, architecture and facilities, in both tunnels and stations, to move forwards with the start-up of the line 5 of the Magistrala metro.
- **Railway contracts in Romania.** In progress are the contracts for the rehabilitation of the Brasov - Simeria railway line at section Sighisoara - Atel. Rehabilitation of the Brasov – Simeria section Atel – Micasasa railway line. Rehabilitation of the railway line between the border with Hungary – Curtici – Simeria (Romania) section 2B: Barzava – Ilteu.

Panama

- **Panama Metro. Progress on the delivery of Line 2 (Panama).** The contract involves the services of engineering, construction, ancillary line facilities and stations, supply and installation of the complete railway system, including rolling stock and commissioning of the metro line. In 2017, FCC Construcción completed 60% of the project. The main milestones of the project include: the construction of the station roofs and metal structures to support the escalators and the metal structures of the lifts (January 2017); and completing the manufacture of the thousandth "U" beam (November 2017).
- **Maintenance of the Pan-American highway. Chorrera-San Carlos section, in the province of West Panama (Panama).** The project involves the maintenance of 53 kilometres of the Panamerican highway.
- **Ciudad de la Salud (Panama).** This healthcare complex project includes the design, development, construction, financing and equipping of the facilities for Panama's Ciudad de la Salud healthcare complex. In 2017, the structure, enclosure and administrative building facilities were completed. The façades of the medical complex were also finished. The project is currently 57% complete.
- **Quarries in Panama (Panama).** During 2017, the following aggregates were obtained from the quarries which FCC Construcción has in Panama:
  - **Ampasa Quarry**: 535 thousand cubic metres of aggregates.
  - **Valdeza Quarry**: 470 thousand cubic metres of aggregates.
  - **Valdeza Prefabricated materials**: 3 million units.
  - **Tocumen Asphalt Plant**: 41 thousand tonnes of hot mix.

The quarries in Panama have produced more than 9 million cubic metres of aggregates in the last 10 years for various flagship projects in the country.

Nicaragua

- **Nicaragua Quarries (Nicaragua).** During 2017 the following aggregates were obtained from the quarries which FCC Construcción has in Nicaragua:
  - **Prefabricated materials**: 22 million units.
  - **Aggregates**: 464 thousand cubic metres of aggregates.
  - **Asphalt**: 70 thousand tonnes of hot mix.

  In the last 10 years, the Agrenic quarry in Nicaragua has produced 167 million units of prefabricated materials, more than four million cubic metres of aggregates and more than 582 thousand tonnes of asphalt hot mix; it is the most important industrial centre in the country.

Peru

- **Lima Metro. Line 2 and Line 4 branch (Peru).** The project involves the design, construction, financing, operation and maintenance of the Lima Metro Line 2 and Line 4 branch, which goes to the airport.

Chile

- **The work on the third section of the southern access to Alto Hospicio/access to Iquique (Chile).** In July 2016, FCC began the construction work for section three that will link the towns of Iquique and Alto Hospicio in Chile.
- **Urban Sector Conversion Works. Route 5 Concession, Santiago Los Vilos (Chile).** Widening of the motorway from three to four lanes in each direction, as well as for the construction of service roads, link road modifications, cross drains and pedestrian walkways. In service from November 2017.

Saudi Arabia

- **Construction of the Riyadh Metro. Lines 4, 5 and 6 (Saudi Arabia).** The project includes the design and construction of Lines 4 (yellow), 5 (green) and 6 (purple) and will have 25 stations for which 64.6 kilometres of metro tracks, 29.8 kilometres of viaducts, 26.6 kilometres of underground tracks and 8.2 kilometres of ground-level tracks. The project is currently 70% complete with significant construction milestones having been obtained for the good development of the infrastructure.

Qatar

- **Doha Metro. Red Line (Qatar).** Currently more than 90% complete. In 2017, the design and construction of the viaduct and the structure and architecture of the stations were completed. The project includes the construction of a section of the Red Line for the Doha Metro.

USA

- **Gerald Desmond Bridge, Los Angeles (United States).** The project includes the design and replacement of the old bridge and the construction of the new bridge in the Port of Long Beach, Los Angeles. Seventy-four per cent of the work has been completed.

Riyadh Metro. Lines 4, 5 and 6 (Saudi Arabia).

Canada

- **Toronto Metro. Highway 407 Station and Northern Tunnels (Canada).** It is an intermodal underground station and 4.5 kilometres of tunnel which provide the backbone of the city's metro network. The infrastructure was inaugurated in December 2017.

United Kingdom

- **Mersey Gateway Project (United Kingdom).** Design, construction, financing, maintenance and operation of the bridge over the River Mersey in Liverpool. The bridge was inaugurated in October 2017.

Pedregal Station. Panama Metro line 2.

Colombia

- **Toyo tunnel (Colombia).** In October 2015, FCC won the contract for the design, construction, operation and maintenance of the Toyo tunnel in the port of Urabá (80 kilometres from Medellín). Once complete, this infrastructure will become the longest tunnel in Latin America. The design phase was completed in 2017 so construction can begin in 2018.
- **Dredging of the river Bogotá (Colombia).** The works have consisted of the relocation and reinforcement of existing lateral retaining walls, as well as the deepening and widening of the river, including dredged material with some contamination. Completed in 2017.

Mexico

- **Coatzacoalcos underwater tunnel (Mexico).** A concession contract was signed in 2004 for the construction, financing, maintenance and operation of the Coatzacoalcos underwater tunnel in the state of Veracruz. The design and delivery of the underwater tunnel is the first construction of these characteristics in Mexico and Latin America. The project was completed and put into services in April 2017.

Portugal

- **Águas Santas tunnel, Maia (RRC - Portugal).** Located in the municipality of Maia, the project consists of the construction of a new gallery measuring 367 metres long with a maximum 24-metres overburden. The works ended in November 2017.
- **Re-qualification of the Culatra Island - Western Lighthouse Area, Ria Formosa (RRC - Portugal).** The project includes the demolition of 217 rooms and the removal of five vessels.
- **Rehabilitation of the Carlos Lopes Pavilion, Lisbon (RRC – Portugal).** Rehabilitation of the pavilion and its exterior spaces for public use.
- **Maintenance of roads in the Lisbon and Setúbal districts (RRC - Portugal).** The maintenance contract for these roads ended in November 2017. The network included 780 kilometres in the district of Lisbon and 922 kilometres in Setúbal.
- **IC1 (EN120), Alcacer do Sal (RRC – Portugal).** Punctual correction of defects between kilometres 3+400 and 19+100 of EN120 (current IC1), with a total stretch of 15.7 kilometres.

Samalayuca-Sasabe gas pipeline (Mexico).

FCC Industrial

FCC Industrial is the company that specialises in the implementation of projects in the industrial sector; it operates in the following lines of business:

Industrial Construction

- Turnkey projects (EPC).
- Oil pipelines.
- Specialised construction.

IRMS

- Electromechanical Installations.
- Electrical Networks and Substations.
- Energy Efficiency and Maintenance.
- Systems.

Mantenimiento de Infraestructuras (MATINSA)

- Overall conservation of infrastructure.
- Forestry and environmental services.

Industrial Manufacturing DELTA & MEGAPLAS Prefabricated materials)

- Prefabricated cements for hydraulic works, railways and civil engineering.
- GRP Pipes.
- Overall corporate image.

National projects

- Electromechanical installations for the new Atlético de Madrid stadium (Madrid, Spain).
- Electromechanical installations for the hospital in Salamanca (Spain).
- Expansion of the beacon lighting at the airfield in El Prat airport for Aena (Barcelona, Spain).
- Comprehensive renovation of gallery management systems and installations for the Madrid city council (Madrid, Spain).
- Execution of installations and management systems of the La Atalayuela gallery (Madrid, Spain).
- Rehabilitation and upgrading of buildings, installations and equipment in the Teatro Real in Madrid (Madrid, Spain).
- Electromechanical installations in phase 3 of the EUIPO head office (Alicante, Spain).
- Installations of ventilation, plumbing and fire protection in the new Victoria Suites hotel (Tenerife, Canary Islands, Spain).
- Mechanical installations in the Conference and Exhibition Hall in León (León, Spain).
- Electrical and control installations in the tunnels of La Aldea in Las Palmas de Gran Canaria (Canary Islands, Spain).
- Renovation of the flight control centre for Enaire in Las Palmas de Gran Canaria (Canary Islands, Spain).
- General refurbishment and remodelling of the building and installations for the Hermanos Revilla building (Madrid, Spain).

- Drafting of the construction projects, construction of the works, conservation and maintenance of the safety installations, interlocks, train protection systems, centralised traffic control, auxiliary detection systems, fixed telecommunications, GSM-R and protection and safety installations for the Monforte del Cid-Murcia section of the Madrid-Levante high-speed railway line (Spain).
- Constructions of the works, conservation and maintenance of the safety installations, interlocks, train protection systems, centralised traffic control, auxiliary detection systems, fixed telecommunications, GSM-R and protection and safety installations for the Vandellós-Camp de Tarragona section of the Madrid-Barcelona-French border high-speed railway line (Spain).
- Design and construction of the Civil Protection facilities for the Figueres-Barcelona tunnels (Barcelona, Spain).
- **Renewable Energies:** Operation and maintenance of the 50-megawatt solar-thermal power generation plant in Palma del Río (Cordoba) for Guzmán Energía; operation and maintenance of the 50-megawatt solar-thermal power generation plant in Villena (Alicante) for Enerstar Villena; and operation and maintenance of two 10-megawatt photovoltaic plants in Espejo (Cordoba) for Helios Patrimonial I & II.
- **Panel workshop:** manufacture, assembly and supply of electrical panels for works carried out by FCC, including the Atlético de Madrid Wanda Metropolitano stadium, the hospital in Salamanca and the EUIPO head office and for external customers in several Vodafone offices in Madrid.
- Maintenance and construction new low and medium-voltage distribution networks in the areas of Pozuelo/ Villalba, Albacete, León, Zamora, Toledo and Levante for Iberdrola for the January 2014 to June 2017 period.
- Maintenance and construction new low and medium-voltage distribution networks in the areas of Pozuelo/ Villalba, Cuenca, León, Zamora, Toledo and Alicante for Iberdrola for the July 2017 to June 2020 period.
- Maintenance of substations for Gas Natural Fenosa in Ciudad Real and Toledo (Spain).
- Maintenance and construction of new medium and high-voltage distribution networks in the Barcelona area: districts 5, 6, 7, 8, 9 and 10 - Sant Adrià - Santa Coloma - Badalona (Central Catalonia division) for Endesa Distribución Eléctrica during the June 2013 - January 2017 period.
- Replacement of meters and implementation of remote management in Seville for Endesa (Seville, Spain).
- **Comprehensive maintenance of infrastructure and building facilities:** Maintenance of corporate head office of FCC Group in Spain; the facilities at Malaga airport; the Hospital de la Salud in Granada; the hospital of La Candelaria, in Tenerife; the Son Dureta hospital, in Mallorca; the Atlético de Madrid Wanda Metropolitano Stadium; the National Library in Madrid; maintenance of the Teatro Real, in Madrid; the Castellana Tower (old Windsor building), in Madrid; the head office of Instituto Cervantes in Madrid; Line 9 of the Barcelona metro; the Murcia Data Processing Centre for KIO Networks; the Social Security Treasury of Cordoba; the National Institute of Social Security in Seville; the Nervión Plaza shopping centre in Seville; the corporate head office of the Prisa Group in Madrid; the head office of El País newspaper

Lighting Maintenance in Madrid.

and the Ser network, in Madrid; Silken hotels, throughout Spain; Abbot and Amo (Famar) laboratories, in Madrid; air conditioning, fire protection and boilers of the head offices of the Third Brigade of the Army in the East Zone and various office buildings and shopping centres owned by Realia.

- **Systems**: Maintenance of facilities and systems of Line 1 of the Malaga Metro for the concession; in the tunnels of Monrepós on the boundary of Huesca, for the Ministry of Public Works; on various motorways in Catalonia for Cedinsa; tools for planning operations, TOPFAS, for the NATO Communications and Information Agency; Air Operations Monitoring and Reconstruction system of the TLP-Tactical Leadership Programme; Logistical Support of the Air Force; helicopter trainer for the Traffic Department; replicas for simulating the controls of the gun in armoured vehicles Centauro, Pizarro and RG-31 of the Army; comprehensive management of lighting, access and security systems in galleries in Madrid for the city council of Madrid; simulation system for maritime port operations for the Port Authority of the Bay of Algeciras. Beaconing systems in the port of Motril (Granada).
- **Lighting - Energy Efficiency**: Comprehensive and integrated activities for the maintenance and operation of public lighting for city councils, which includes investments designed to improve the energy efficiency of the installations via measures for saving, metering and control of energy consumption: city hall of Madrid (Lot 3 East Zone), Vigo (Pontevedra), Lepe (Huelva), Los Palacios (Seville), Totana (Murcia), Cadiz, Isla Mayor (Seville), El Salto del Caballo (Toledo).
- Energy efficiency contract for the airports of the Canary Islands and El Prat (Barcelona) for Aena.
- Energy management and efficiency contract for private developers in Nuevo Tres Cantos (Madrid).
- R&D activities: Comprehensive port activity simulation tool (Optiport) developed in collaboration with the Port Authority of the Bay of Algeciras (Spain).

International projects

Mexico

- **Underground dual high-voltage circuit with 115 kilovolts, 15 MV (medium-voltage) lines and a seven-bay GIS substation in Campeche (Mexico)** for CFE.
- **Samalayuca-Sasabe gas pipeline (Mexico).** Construction of the 36-inch-diameter gas pipeline measuring 640 kilometres long.

Ireland

- **Remodelling of airport and fire hydrant system in Dublin Airport (Ireland).** The works consist of constructing three storage tanks each with a 5,000-cubic-metre capacity with the associated installations, tank loaders, underground pipes and refuelling hydrants on the runway for aeroplanes and firefighting equipment. The buildings and auxiliary facilities have also been built and the existing facilities have been demolished and dismantled.

Colombia

- **500 kilovolt single-circuit high-voltage overhead line with 114 metal towers and 45 kilometres of conductors and fibre optic cable in Colombia for EPM.**
- **Modernisation of two 115-kilovolt substations in Colombia for ESSA (subsidiary of EPM).**
- **Signalling system for the Medellín Metro (Colombia).**

Dublin Airport Industrial Facilities (Ireland).

Saudi Arabia

- **Electromechanical, control and communications installations for lines 5 & 6 of the Riyadh Metro.**

Dominican Republic

- Rehabilitation of distribution networks and standardisation of Contracts 4 and 9 in the Dominican Republic for CDEEE (Dominican Corporation of State Electricity Companies).

Portugal

- Systems on the ER-1 motorway in Madeira (Portugal) for Vialitoral.

Megaplas

In the corporate image-related business, FCC operates under the Megaplas and Megaplas Italia brands through its two production, management and logistics centres based in Madrid and Turin (Italy) and its network of approved installers throughout Europe. In 2017, Megaplas S.A., celebrated its 50th anniversary, becoming one of the most important companies in the sector at a European level.

In 2017, important clients such as Kia and the Fiat group continued to place their trust in the company after relationships of more than 15 years. Others such as Renault Europe, Nissan and Yamaha Europe have joined the Megaplas portfolio through significant contracts in the automotive sector:

- **Renault Europe has renewed the approval of Megaplas as a corporate image provider, awarding the implementation of Renault's new image in Spain, Portugal and Italy, as well as the implementation of its image at its new head office in Alcobendas (Madrid).**
- **Nissan has appointed Megaplas to supply and implement its new corporate image in Spain, Italy and Portugal.** It is a programme which began with a pilot in the Ciudad del Automóvil in Madrid with the inclusion of the first seven dealerships.
- **Yamaha Europe selected Megaplas for the technical development of its new corporate image, its new logo and for its exclusive implementation throughout Europe in more than 2,000 points.** The new logo was developed at the Megaplas Italia facilities.

Regarding the oil sector, the contract obtained in 2016 with BP Europe for Spain and Portugal has begun to be implemented with the supply and installation of the BGB image in 70 stations during this past year in the Iberian Peninsula.

Prefabricados Delta

FCC operates under the brand Prefabricados Delta for the manufacturing of civil engineering elements such as reinforced concrete or post-tensioned pipes with steel jacket, monoblock or bi-block sleepers for railways and glass-fibre reinforced pipes (GRP). It has two permanent factories, located in Humanes de Madrid and Puente Genil (Cordoba), and a third located in Riyadh (Saudi Arabia), for the manufacture of the post-tensioned beams and slabs for the Metro.

The production of the 2017 Prefabricados Delta factories in Spain, grouped by product, was as follows:

- More than 43 kilometres of Glass-Fibre Reinforced Pipes (GRP).
- 12.5 kilometres of concrete pipe with steel jacket.
- 28,500 sleepers of various types.

By activity, the most significant supplies were:

Supplies for hydraulic conduits

In 2017, more than 55 km of pipeline was manufactured and supplied. Some of the most outstanding works include:

- Supply of Post-tensioned Concrete Pipe with Steel Jacket and elastic joint for the Gimenells Irrigation Community, for which 4,032 metres of post-tensioned pipe with an internal diameter of 1,000 millimetres was manufactured and supplied.

New Jeep Dealership Image

- Supply of Post-tensioned Concrete Pipe with Steel Jacket and elastic joint for the Remolins Irrigation Community, for which 4,260 metres of post-tensioned pipe with steel jacket and elastic joint with diameters of 800 and 700 millimetres and a maximum design pressure of 7.5 atmospheres was manufactured and supplied.
- For Sector VIII of the Páramo Canal, in León, 900 metres of Post-tensioned Concrete Pipe with Steel Jacket and 1,800 millimetre inner diameter elastic joint, and 7,956 meters of Fibre-glass Reinforced Pipes with Elastic joint and nominal diameters between 450 and 600 millimetres were supplied.

Fernando Reig Bridge (Alcoy, Alicante).

- Supply of Fibre-glass Reinforced Pipe for Sector I of the Páramo Canal with 13 kilometres of pipes in nominal diameters comprised between 450 and 1000 millimetres and a nominal pressure of 10 bar with nominal rigidity of 5000 N/m^2.
- Supply of Fibre-glass Reinforced Pipe for with elastic Joint for the modernisation of Algerri-Balaguer Sector C irrigation with 12.9 kilometres of pipes in nominal diameters comprised between 400 and 700 millimetres and a nominal pressure of 10 bar with nominal rigidity of 5000 N/m^2.

Supply of railroad sleepers

During 2017, 28,500 sleepers were supplied, of which 24,700 were type PR-01 pre-stressed monoblocks and the rest bi-blocks for tracks on slabs. The most noteworthy supply is the one for the Railway Branch Line of Dársena del Cuatro; work promoted by the Port Authority of the Port of Seville, with a total of 10,880 sleepers.

Matinsa, Maintenance of Infrastructures

FCC Group works in the sector through Mantenimiento de Infraestructuras, S.A. (Matinsa) in the following business areas:

Motorways and roads

Maintenance on more than 1,110 kilometres of motorways and 3,080 kilometres of conventional network roads belonging to several Public Administrations (Ministry of Public Works, Autonomous Communities, Provincial Councils, and Concessions).

Matinsa is involved in the maintenance of the accesses to Madrid from the A-42 and the A-5. All these roads support more than 100,000 vehicles/day.

This year, a maintenance contract began for the roads in the province of Cáceres, belonging to the Junta de Extremadura, which includes a network of 99 kilometres of motorway and 273 kilometres of conventional roads.

In the road maintenance activity as a whole, the company has work centres in Madrid, Cáceres, Badajoz, Ciudad Real, Albacete, Cuenca, Ávila, Soria, Palencia, Cantabria, Orense, Asturias, Guipúzcoa, Gerona, Murcia, Malaga, Burgos, Lisbon and Setúbal.

During 2017, the following emergency works were carried out to repair damage caused to roads due to weather conditions:

- Emergency due to damage caused to the A-7 and MA-22 by torrential rains in Marbella (Málaga).
- Refurbishment of corrugated galvanised steel tubes (Armco) on the N-627 at KM 22+910, KM 24+487, KM 26+464 and KM 28+350, in the province of Burgos.
- Stabilisation and repositioning of the existing embankment on the CN-634 in Ribadedeva (Asturias).
- Repair of bridge over the River Sonoro on the N-623 at KM 97+320 in Cantabria.
- Repair of the structure of the N-403 at KM 135+050 in the province of Ávila.
- Repair of various damage caused by the storm of 7 July 2017 on the N-403 between KM 113+700 and 114+400 in the province of Ávila.

- Repair and consolidation of embankments levelled by the heavy rains in the Municipal Districts of Casas de Castañar, Navaconcejo and Cabezuela del Valle, between KM 372 and 391 of the N-110, in the province of Cáceres.
- Repair of service road on the right bank of the A-5 motorway (in the direction of Badajoz), at KM 18+300 in the province of Madrid.
- Repair of the transversal drainage work under the A-5 at KM 19+550 in the province of Madrid.

Maintenance of transport systems

Matinsa manages the maintenance of city tramways in the following cities:

- Zaragoza, since 2011, with a length of 12.8 kilometres and 28,000,000 passengers/year.
- Murcia, since 2011, with a length of 28 kilometres of railway roadbed and 4,665,263 passengers/year.

In addition, it has been awarded the **contract for FGV's Overhead Lines, Substations and Station Maintenance in the province of Alicante signed with the Railways Management of the Generalitat Valenciana (FGV).**

Hydraulic infrastructure maintenance

Matinsa continues with the maintenance of hydraulic infrastructures, conserving the channels of the River Árrago irrigation basin, including 178 kilometres of channels and 9,300 hectares of irrigation land.

On 1 September 2017 work began on the part of Mursiya Maintenance Joint Venture, led by Matinsa, to the contract for the "Operation, maintenance and conservation of the SAIH, SAICA, ROEA, SAIH-POSTRASVASE and SICA networks" in the Hydrographic Confederation of Segura.

Management of emergency and forest fire services

Matinsa currently provides the following services:

- The service of a crew retained for forest fire prevention and extinction in the eastern area of the Madrid Region, with a total of 234 professionals, eight heavy duty forest fire engines, fifteen lightweight fire engines, two high mobility vehicles (VAMTAC) and a bi-turbine helicopter, as well as fourteen forestry engineers.
- The fire and rescue service in the fire stations of Bueu, Porriño, Ribadumia and Vilagarcia de Arousa in the province of Pontevedra, for a period of eight years, with a total of 74 firefighters.
- Forest fire prevention and extinction service with heavy machinery under the INFOMA plan for the Region of Madrid.
- The fire prevention works for the Provincial Fire Brigade of the Region of Castellón.

Environmental restoration

The company carries out environmental restoration and recovery of degraded spaces works, highlighting the restoration of dune ranges, as well as the conservation and maintenance of them. The contracts awarded this year include the stabilisation of slopes on Riveira beach in the municipality of Miño. Likewise, it continues to manage the conservation and maintenance service of the coast in the province of Pontevedra.

Environmental services

The following achievements stand out this year:

- Environmental conservation of La Herrería Forest in the municipality of El Escorial (Málaga) for National Heritage.
- Management of recycling points in National Heritage historical gardens.
- Renewal of the framework agreement for works on the control of vegetation on sidelines and facilities of the Iberian and Metric Gauge Conventional Network in the Northeast zone and works on to control vegetation of the Iberian and Metric Gauge Conventional Network in the North zone, for ADIF.
- River Manzanares conservation service where it passes through the municipality of Madrid for the City Council.
- Land restoration works of the River Manzanares

In addition, it has managed the following services:

- Silvicultural and cultural treatments for the prevention of forest fires in different National Heritage regions.
- Cutting and pruning in low and medium voltage overhead lines in the province of Huesca for ENDESA.
- Services of weeding, rat extermination in facilities and, clearing and selective weeding in the location of the basic gas pipeline network for ENAGÁS in all facilities of Cantabria, Burgos and Madrid.

FCC Concessions operates **17 concession companies**, of which **15** are in the **operating phase**, and is responsible for the development of new concessions

Concession companies in which FCC has a stake and the most relevant events in 2017

Motorway concessions in Spain (Spain). In general, there is a recovery in the growth of vehicle traffic.

Inauguration of the Mersey Bridge (United Kingdom). Opened to traffic in October.

Inauguration of the Coatzacoalcos underwater tunnel (Mexico). The tunnel opened to traffic in April 2017.

The acquisition of an additional 49.5% has been completed in the company CAPSA, which manages the contract of 10 health centres in Mallorca.

Sale of all its shareholding in Torrejón Hospital (Madrid, Spain).

FCC Concessions

The management of Concessions operates 17 concession companies, of which 15 are in the operating phase, and is responsible for the development of new concessions

It works with infrastructure, transport and social concessions. The main objectives of management are:

– Maximising the value of existing assets by managing contracts with the goal of improving cash flow from the projects.

Competing for new projects in solvent, safe markets with growth prospects, in keeping with the strategy set by FCC Group.

National concessions

- **Urbicsa (29%):** This company awarded the contract for the public works concession for the construction, maintenance and operation of buildings and facilities in the City of Justice project in Barcelona and L'Hospitalet de Llobregat. The main actions in 2017 were focused on energy saving and improving comfort.
- **Health Centres in Mallorca (82.5%):** At the end of 2009, the Health Service of the Autonomous Community of the Balearic Islands awarded the consortium, in which FCC Construcción has a stake, the concession contract for public works for the construction, conservation and operation of five health centres and the same number of basic health units.
- **Cedinsa Eix Llobregat (34%):** In November 2003, Cedinsa was awarded the concession for the construction and operation of the shadow toll motorway between Puig-Reig and Berga, and the conservation and maintenance of the Sant Fruitós de Bages -- Puig-Reig section, all on the C-16 road (Llobregat axis). 2017 is the tenth full year of operation, with an average daily traffic intensity on these sections of 20,704 vehicles, an increase of 2% over the previous year.

Line 2 and branch line 4 of Lima Metro (Peru).

- **Cedinsa d'Aro (34%):** In December 2005, Cedinsa was awarded the concession, also in shadow toll, for 33 years, of the 27.7 kilometres of the Maçanet-Platja d'Aro motorway, which consists of the design, construction and operation of the section of the C-35 between Vidreres and Alou, and the operation of the Maçanet-Vidreres sections of the C-35, Alou-Santa Cristina d'Aro of the C-65 and Santa Cristina d'Aro-Platja d'Aro of the C- 31 2017 was the ninth full year of operation, with average daily traffic intensity of 28,291 vehicles, an increase of 4% over the previous year.
- **Cedinsa Ter (34%):** In 2006, Cedinsa was awarded the shadow toll concession for 48.6 kilometres of Centelles-Vic-Ripoll motorway, of which 25.2 kilometres are new. The concession period is 33 years with a construction period of three years and 30 years of operation. 2017 was the sixth full year of operation, with average daily traffic intensity of 25,968 vehicles, an increase of 2.8% over the previous year.
- **Cedinsa Eix Transversal (34%):** In June 2007, the concession was awarded, also for shadow toll for 33 years, of the 150 kilometres of the Transversal Axis Motorway. The contract is for the design, construction and operation of the Cervera-Caldes de Malavella section (C-25), with most of the work being the widening of the current C-25. 2017 was the fourth full year of operation of the motorway, with average daily traffic intensity of 15,228 vehicles, an increase of 6.8% over the previous year.
- **Line 9 of the Barcelona Metro (49%):** At the end of 2008, IFERCAT (Catalonia's Railway Infrastructure) awarded the contract for the construction, maintenance and conservation of 13 stations and the associated ventilation shafts on Section I of the Barcelona Metro Line 9 for 32 years. 2017 is the second year of being open to the public and the service has worked normally. Section I of Line 9 of the Barcelona Metro has taken part in the analysis of alternatives for re-launching the central section which will connect L9 Nord and L9 Sud.
- **World Trade Centre Barcelona, S.A. (16.52%):** FCC holds the concession for 50 years to manage the World Trade Center buildings in the port of Barcelona, which has a surface area of 31,000 square metres of office and business premises, 9,000 square metres of meeting and conferences rooms and a 280-bed hotel. During 2017, the occupancy level in the premises and offices has recovered to 97% and projects have been approved to standardise and modernise the signage in the interior and exterior common areas of the complex.
- **Motorway in Cuenca (100%):** In 2007, the Ministry of Public Works awarded FCC Construcción the public works concession to conserve and operate the section of the A-3 and the A-31 that runs through Cuenca for a 19-year period. Maintenance work has been done since the signing of the contract. After the completion of the works in 2015, and their receipt by the Ministry of Public Works, 2017 was the second year of full operation. The average daily intensity of the motorway in 2017 was 23,845 vehicles, with growths from the previous year of 3.5% in light vehicles and 8.85% in heavy vehicles.
- **Ibiza - San Antonio motorway (50%):** Construction and shadow-toll operation of the widening of the Ibiza - San Antonio road. In addition, it is worth mentioning the underground burying of 1.3 kilometres of the motorway in the San Rafael area. The length of the road is 14 kilometres with concession which lasts 25 years. The average daily intensity in 2017 was 38,000 vehicles, a 3.8% increase in light vehicles and 4.8% in heavy vehicles compared to the previous year.
- **Murcia tramway (50%):** In April 2009, the city hall of Murcia awarded construction, maintenance and operation of Line 1 of the Murcia tramway (17.76 kilometres and 28 stops) for 40 years. The contract was signed on 7 May 2009 and the total investment amounts to 185 million euros. In 2017, 4,796,307 ticket validations were made which represents growth in demand of 5% compared to the previous year.
- **Zaragoza tramway (16.60%):** The Zaragoza city hall awarded the consortium TRAZA, in which FCC has a stake, the bid to become the partner of a joint venture to build, commission, maintain and operate the 12.8-kilometre Line 1 of the Zaragoza tramway for a period of 35 years. The partially government-owned company is represented by Zaragoza city hall with 20% and by TRAZA with 80%. In 2017, there were 28,236,528 ticket validations which represents growth in demand of 1% compared to the previous year.

Coatzacoalcos underwater tunnel (Mexico).

- **Torrejón de Ardoz Hospital, Madrid (0.05%):** In August 2009, the Community of Madrid awarded the total management of the Torrejón hospital for 30 years. It is the second hospital in the Region in which healthcare services fall within the scope of the Agreement, together with the management of non-healthcare services. It has a surface area of 62,000 square metres, 240 beds and serves 133,144 people. It provides the required health care to the populations of Torrejón de Ardoz, Ajalvir, Daganzo de Arriba, Ribatejada and Fresno del Torote. After the sale of its shares this year, FCC has a 0.05% stake in the capital. Construction works were completed in June 2011 and operations began in October, so 2017 was the sixth year of full operation.

International concessions

Mexico

- **Underwater tunnel in Coatzacoalcos, Mexico (85.59%):** A concession contract was signed in 2004 for the construction, financing, maintenance and operation of the Coatzacoalcos underwater tunnel through tolls in the state of Veracruz. The duration of the concession is 45 years. The design and delivery of the underwater tunnel is the first construction of these characteristics in Mexico and also the first in Latin America. The tunnel represents a technological innovation in the field of construction carried out using the Immersed-tunnel Method. The project was inaugurated in 2017.

- **Mersey Bridge in Liverpool, United Kingdom (25%):** Contract for the design, construction, financing, maintenance and operation of the bridge over the River Mersey in Liverpool. The most unique element of the entire contract is a cable-stayed bridge with a total length of 2.13 kilometres (1 kilometre for the main bridge and 1.13 kilometres for the approach viaducts). The bridge will service 80,000 vehicles per day. The project also includes the remodelling of seven kilometres of access roads, 2.5 kilometres of motorway and the renovation of other 4.5 kilometres of motorway, along with different links roads. It was put into service in October 2017, becoming a catalyst for revitalising the populations of Halton.

Peru

- **Lima Metro Line 2, Peru (18.25%):** On 28 March 2014, the PROINVERSION Committee on Road Infrastructure, Railway Infrastructure and Airport Infrastructure Projects (Private Investment Promotion Agency - Peru) awarded the Nuevo Metro de Lima Consortium, in which FCC has a stake, the concession contract for the project: "Line 2 and Branch Line Av. Faucett – Av. Gambetta of the Basic Network of the Lima and Callao Metro" for the design, financing, construction, electromechanical equipment, equipment of systems and provision of rolling stock, operation and maintenance for a period of 35 years. It is currently the most important project in Peru and the region.

Belgium

- **Haren Prison, Belgium (15%):** This contract covers the design, construction and maintenance for 25 years of a new prison complex in Haren, near Brussels. The construction of the Haren prison, covers 120,000 square metres within an 18.5 hectare plot, for 1,200 inmates and 1,000 administrative employees. FCC was named Preferred Bidder in 2013 and has been working on the environmental licences since then. The city of Brussels granted the construction permit for this project at the end of 2017 and financial closure is pending. Haren is the first concession project won by FCC in Belgium.

Contracting

Domestic market

In 2017, FCC Construcción was awarded the following domestic contracts:

- **Expansion of the esplanade on the Poniente Norte pier in the Port of Palma de Mallorca.** The works include the construction of the project "Expansion of the esplanade on the Poniente Norte Pier of the Port of Palma". The most significant actions are: vertical pier of reinforced concrete caissons, new 36,232 square metre esplanade and service networks on the esplanade and pier.

- **Renewal of track and upgrading infrastructure of Line 9 of FGV's TRAM Network in Alicante. Section 1 between Calpe (KM 64+620) and Teulada (77+009) (Spain).** The project consists renewing 12.6 kilometres of Line 9 of FGV's TRAM network in Alicante located between the stations of Calpe and Teulada.

- **Urbanisation for the Special Plan in the area of "West Sector Olympic Park" (Peineta Stadium, Madrid).** The surface area is 1,228,654 square metres. Within this project, works are to be developed corresponding to the suitability of the land and environmental integration, land improvement and the structures generated between the different platforms. The internal sanitation network and the external connection with the existing Madrid City Council infrastructure is in the project as well as the construction of interior roads to connect to existing ones and the creation of parking areas for vehicles, buses and motorcycles.

- **Comprehensive rehabilitation of the "Gorbea I" office building, at calle Rosario Pino and calle Capitán Haya in Madrid.**

- **Infrastructure Maintenance and Conventional Network Track for ADIF (MIV) - LOT 1 CENTRE.** Infrastructure and track maintenance on the Conventional Network for ADIF. It includes activities which contribute to: preserving line security, reaching the desired reliability levels and improving quality. It includes Madrid.

- **Infrastructure Maintenance and Conventional Network Track for ADIF (MIV) - LOT 6 SOUTH.** Infrastructure and track maintenance on the Conventional Network for ADIF. It includes activities which contribute to: preserving line security, reaching the desired reliability levels and improving quality. Includes Cordoba, Linares-Baeza, Mérida, Seville and around Seville.

- **Raos 9 Pier, in Santander (Cantabria).** The facilities will consist of a dyke approximately 280 metres long attached to the Eastern face of the central jetty of Raos. This expansion will be achieved by anchoring eleven caissons and backfilling them. The pier will be aligned with the current Terquisa berth and will involve the dredging of 707,000 cubic metres and the filling with 266,000 cubic metres of quarried materials.

International market

In 2017, FCC Construcción was awarded the following international contracts:

- **Buildings of the higher education centre of Dublin's Institute of Technology, on the Grangegorman campus (Ireland).** During 2017 the legal details which prevented the contract being signed were resolved and it is now expected to be signed in the first quarter of 2018. The future contract includes the design and construction of two buildings of Dublin's Institute of Technology (DIT) higher education centre on the Grangegorman campus in Dublin (Ireland). Once complete, it will offer university services to 10,000 students and staff at the Grangegorman Higher Education Centre.

- **Inter-American Highway Section I (Panama).** In November 2017, the consortium FCC Corredor de las Playas I, made up of FCC Construcción and the operator CICSA (infrastructure and construction division of the Carso Group), won the tender to expand the first section of the Inter-American highway (Panama). The project to expand section I has a deadline of more than 22 months and a budget of 543 million dollars. The work aims to improve the circulation of the 32.7 kilometres affected by the project, which includes the design, construction and maintenance, enabling the interconnection between the end of the Arraiján - La Chorrera motorway and the new Pan-American highway to be improved.

- **WWTP construction for the city of Ambato (Ecuador)**. Construction of the Wastewater Treatment Plant for the city of Ambato and the sewerage collectors, minor discharges for the city of Ambato, Ambato canton, Turngurahua province.

- **Design, construction, supply and installation of the Wastewater Treatment Plant in El Salitre. Cundinamarca (Colombia).** Design, construction, supply and installation of the components of the plant and its commissioning, operations and staff training, to optimise and expand the only existing WWTP in Bogota.

- **Improvement to the Los Chinamos - El Ayote Road. Sections I and II. (Nicaragua).** The project to rehabilitate and improve the 39.14 kilometre rural road between the towns of Los Chinamos and El Ayote includes the improvement of the horizontal and vertical alignment at several points, the construction of minor and major drainage works, the construction of several viaducts and the creation of a pavement structure with a hot asphalt mixed layer with polymers.

- **San Silvestre WWTP in Barrancabermeja. (Colombia).** Final design, construction, supply of electromechanical equipment, commissioning, pre-operation, operation and maintenance of the San Silvestre Wastewater Treatment Plant.

- **New Terminal of the New International Airport of Mexico City (Mexico).** The Consortium Constructor de la Terminal del Nuevo Aeropuerto Internacional de la Ciudad de México, called CTVM (Constructora Terminal Valle de México) and formed by Operadora CICSA, GIA, Prodemex, Hermes Infrastructure, ICA, Acciona Infraestructuras and FCC was awarded the contract in January 2017 for the construction of the New International Airport in Mexico City. It is an international project designed by the architects Fernando Romero and Norman Foster, recognised worldwide as one of the most innovative in both construction techniques and operation. The new terminal will have a surface area of 743,000 square metres and a length of 1.5 kilometres. It will have 96 gates, 68 remote stands and three parallel runways which will operate simultaneously and allow up to 550 thousand flights per year. Currently, the New International Airport of Mexico City is the second largest airport under construction worldwide, being used by 70 million passengers per year; 191,000 passengers per day. In addition, the new airport terminal in Mexico will be one of the first sustainable airports in the world, with LEED Platinum certification.

- **150,000 m^3/day SWRO desalination plant in El-Alamein. (Egypt).** Design, construction, supply and operation, and maintenance for one year, of a seawater Reverse Osmosis (SWRO) Desalination Plant with a capacity of 150,000 m^3/day, located in El-Alamein.

- **Abu Rawash WWTP in Cairo (Egypt).** Design, Construction, Expansion and Equipping of the "Abu Rawash" Treatment Plant in Cairo (Egypt).

New International Airport of Mexico City (Mexico).

- **Railway contracts awarded in Romania (Romania).** Rehabilitation of the railway line between the border with Hungary – Curtici – Simeria (Romania) section 3: Gurasada – Simeria.

- **Design and Construction of the Wastewater Treatment Plant and Sludge Incinerator in Glina - Bucharest (Romania).** Awarded in 2017. The consortium formed by Aqualia, FCC Construcción and SUEZ will modernise and expand the Wastewater Treatment Plant (WWTP) in Glina, (Bucarest, Romania) with a total value of 113 million euros. This project, the largest public contract in the sector tendered this year in Europe, will serve 2.4 million inhabitants. The contract, financed with European cohesion funds, is expected to be implemented at the end of 2019.

Service excellence

FCC Construcción contributes the **experience** of a company which is **more than 100 years old**, with great **technical capacity, efficiency,** with the best **technology** and always with absolute respect for the environment

FCC's participation in any infrastructure project means offering the experience of a company with over 115 years of experience in the industry, with strong technical skills and a firm commitment to efficiently overcoming challenges, all with total respect for the environment and using the best technology.

In its work, FCC creates value for society and for shareholders, providing the management and services required to design, build and operate infrastructure and services that efficiently, sustainably and safely contribute to the well-being of people. It contribute expertise to create solutions aimed at the improving society, sustainable development and the well-being of people.

Quality and customer service

The priority continues to be satisfying stakeholders beyond their expectations, with the commitment to fulfilling their requirements with the quality assurance of the company itself. The main objective is excellence in the performance of the work and customer satisfaction, by providing personalised attention and ongoing dedication, always focused on fulfilling their expectations.

In 2017, more than 90% of the questions answered by surveyed customers rated the company "good" or "very good". In addition, more than 50% of customers surveyed consider the overall performance of FCC Construcción to be "very good". The needs and the quality of FCC are factors which differentiate us from our competitors.

Overall in the surveys, the attributes rated highest by customers are the professional capacity of work team, the responsiveness to problems and contingencies that arise in the project and fulfilling the commitments. These characteristics remain the highest-rated year after year and confirm the expectations.

To have the company's knowledge and experience is to have available skilled professionals at all levels, and demonstrates how highly qualified the employees are.

The Management and Sustainability System is a dynamic system that is constantly adapted to the new challenges and processes required by the market. So this year. it was adapted to the new ISO standards published with regard to quality, environment, R&D&I and information security. This adaptation was necessary in order to be able to reliably undertake its implementation across the scope of the company.

In order to demonstrate compliance with third parties and greater transparency in our management, FCC has its Management and Sustainability System certified by an accredited external agency. In line with its objective of continuous improvement, to give greater confidence to our clients, the company has its System certificated for practically 100% of its activity. This certificate includes all countries where it operates.

Sustainable management

Throughout 2017, the new requirements of the 14001: 2015 standard were introduced to adapt the Environmental Management System implemented in the 21 countries in which FCC is present, which represents 99.9% of revenue. These changes reinforce the risk management approach of the company's System, which are defined as giving greater importance to their context and stakeholders.

Gerald Desmont Bridge (Los Angeles).

In carrying out its duties, FCC Construcción considers that the achievements and processes developed should constitute a behavioural standard and a part of the culture of the construction sector worldwide and that it should contribute knowledge and principles acquired to the community, which is why it participates and leads multiple technical committees both nationally (such as the AEN/CTN 198/SC2 "Sustainability in infrastructure", of which it is chair), and internationally (such as CEN/TC 350 "Sustainability of construction works", where chairs WG6), and where it leads the Sustainability in Civil Engineering Committee (WG5), and ISO/TC 207 "Environmental Management", among others. It also has an active presence in the most relevant Technical Associations for its area of activity (such as the Scientific-Technical Association of Structural Concrete, the Technical Association of Ports and Coasts-PIANC and is the Spanish representative for hydrological planning at ICOLD internationally, among others).

Taking advantage of the participation of FCC Construcción in International Work Groups related to "Sustainability in Civil Engineering", it has developed SAMCEW© (Sustainability Assessment Method for Civil Engineering Works), a methodology to assess the sustainability of infrastructures. This initiative, awarded by the Madrid Civil Engineers Association in the category of Responsibility and Sustainability, is being disseminated internally and externally by the company, so that in the short to medium term it can start to be used in the works.

Innovation and technology

The construction area of FCC Group promotes an active technological development policy, with a firm commitment to research, sustainability and contribution to the quality of life of society as a differentiating factor in the current, highly competitive and internationalised market. The development and use of innovative technologies to carry out the works additionally involves added value for the company.

Within its activity, the construction area of FCC Group develops projects internally and in conjunction with other companies in the industry or other related industries, frequently with technology-driven SMEs, which makes it possible to perform open innovation projects with a participation in the value chain and, occasionally, on a horizontal cooperation basis. The involvement of universities and technology centres is, likewise, a key factor in practically all these projects. Some of the projects are also carried out in consortia with Public Authorities, such as the European LIFE "Impacto Cero", Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines, with the participation of the Spanish Railway Infrastructure Manager (Adif).

Amongst others, during 2017 the follow projects were developed nationally:

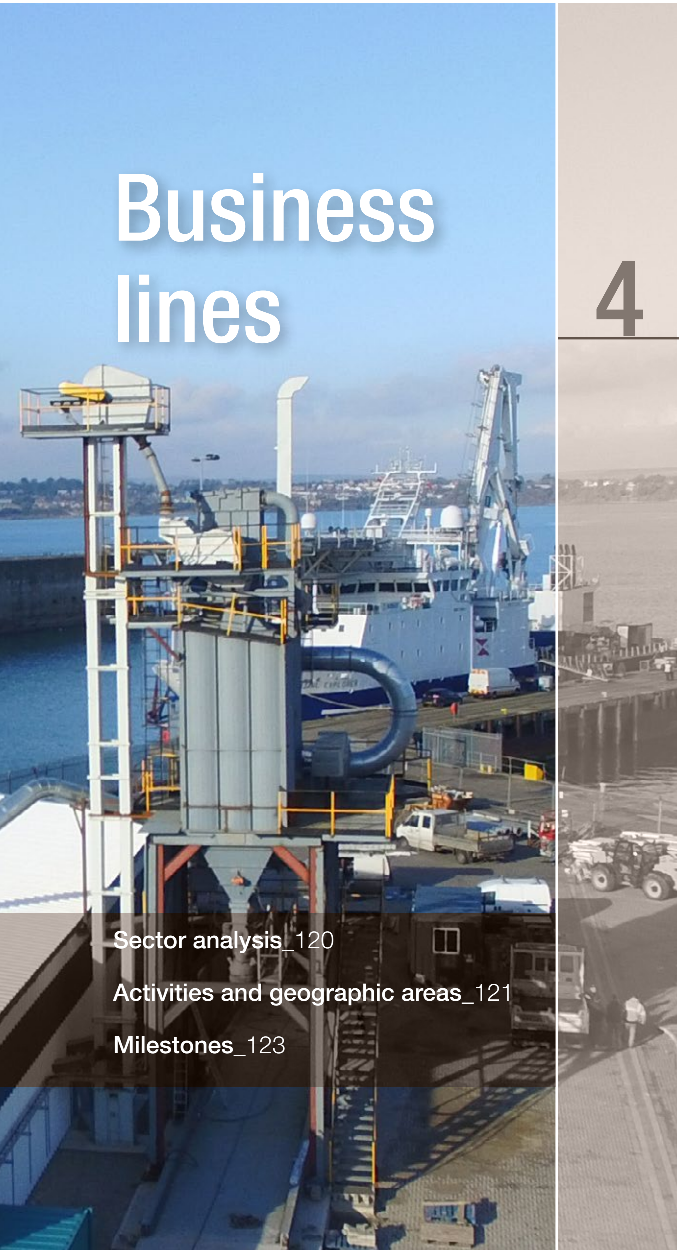
- **DOVICAIM: (in conjunction with Instituto de Hidráulica Ambiental "IH Cantabria")**: its objective is to develop an integrated methodology and the tools required to support the complete life cycle of the construction of vertical docks using prefabricated blocks in a floating dock, including design, optimisation, construction, installation and operation.
- **SORT-i (from the Challenges-Collaboration call):** its main objective is the development of tools based on optical systems and new technologies for the identification, monitoring and management of structural risks in buildings and infrastructures in a smart, automatic and telemetric way, as a means to maximise safety and minimise the risks of physical damage in situations of high potential for structural collapse.
- **SETH**: developing a comprehensive structural monitoring system for buildings based on holistic technologies.
- **DANAE:** whose objective is the smart regulation of tunnel lighting, led by Matinsa.
- **ROBIM (within the CIEN programme):** its objective is an autonomous robot to inspect and assess existing buildings with BIM integration, developing an automated, active and multidisciplinary technology for inspection, assessment and diagnosis of the composition, condition and energy efficiency of the walls of existing buildings, thereby facilitating the obtaining of reliable information in sufficient detail on building systems and pathologies and a comprehensive analysis of the building.

At a European level, the construction area of FCC Group is working on the following projects, among others:

- **IN2RAIL (Innovative Intelligent Rail) (led by Network Rail):** its objective is to set the foundations for a resilient, consistent, cost-efficient, high capacity and digitised European railway network. The results of this project will contribute to the Shift2rail initiative, a public-private partnership dedicated to rail and framed within Horizon 2020, whose objective is to advance the implementation of the single European railway area.

Port Nautical Services Buildings Valencia (Spain).

- **NANOFASE (Nanomaterial Fate and Speciation in the Environment):** its objective is to determine the fate of nanomaterials in the environment.
- **Eco-innovation REWASTEE:** aimed at the industrial validation, market deployment and replication of a developed technology for recycling steelmaking wastes and manufacturing multifunctional building products.
- **BUILDSMART (Energy Efficient Solutions Ready for the Market):** its objective is to demonstrate that it is possible to construct buildings with very low energy consumption in an innovative and profitable way. The project includes the design, construction and monitoring of new residential and non-residential buildings in Sweden, Ireland and Spain.



Business lines

4 Cement

Cementos Portland Valderrivas, S.A. and its subsidiaries are the group of companies through which FCC carries out its cement activity. The CPV Group is geared towards the manufacture of cement -albeit having a presence throughout the cement cycle- and activity which in 2017 accounted for more than 90% of the total revenues of the area; the remaining percentage being from the concrete, aggregate and mortar businesses.

With regard to its geographical diversification, 40% of revenue came from international markets, with a presence in Spain, Turkey and the United Kingdom. In addition to these three countries, it also exports to the Middle East and various countries in Europe.

The operating structure is based on the integration of the cement business's cycle. This cycle includes the extraction of the raw material (aggregate), the manufacturing process of the cement, concrete, dry and special mortars and their final distribution.

Regarding its geographical presence, the CPV Group is the largest cement group in Spain in terms of production capacity. Directly or indirectly, it has production centres located in the Islas Baleares, Cantabria, the País Vaco, Navarra, La Rioja, Castilla y León, Castilla-La Mancha, Madrid, Aragón, Extremadura, Andalucía and Cataluña. Commercially, the Group habitually distributes its products in 11 of the 17 Autonomous Communities (Andalucía, Aragón, Cantabria, Cataluña, Castilla-La Mancha, Castilla y León, Extremadura, La Rioja, Madrid, Navarra and the País Vasco. The location of the factories allows a good diversification of sales and a large market share throughout the peninsula. The Group's seven factories in Spain, with a total annual joint cement production capacity exceeding 10 million tonnes, are located in: El Alto (Morata de Tajuña - Madrid), Olazagutía (Navarra), Hontoria (Venta de Baños - Palencia), Alcalá de Guadaira (Alcalá de Guadaira - Sevilla), Mataporquera (Cantabria), Vallcarca (Barcelona) y Monjos (Barcelona).

Regarding trading, the Foreign Trade Department has centralised its operations in Madrid and the Netherlands, servicing all the Group's trading operations.

The company also holds a significant position In the Tunisian market. The Group owns a cement factory in eastern Tunisia, in the city of Enfidha, near Sousse, with an annual cement production capacity of 2 million tonnes.

Its presence in the United Kingdom is through two maritime cement terminals.

In addition, since November 2016, the Group has had a 45% shareholding in the company Giant Cement Holding, Inc. (100% shareholding until October 2016), which produces and sells cement throughout the entire eastern seaboard of the USA and in Canada. Giant Cement Holding, Inc. has the following factories: Harleyville (South Carolina), Bath (Pensilvania) and Thomaston (Maine). The Group also has distribution logistics centres (terminals) on the eastern seaboard of the USA and in Canada.

Sector analysis

Domestic market

Throughout 2017, we saw how the political and economic situation of each of the countries in which operations are carried out had an influence on cement consumption.

During 2017, the recovery of the Spanish economy continued, supported by the improvement in domestic demand, with an increase of 31.6% in official tenders compared to the previous year, according to the Association of Construction Companies and Infrastructure Concessions (SEOPAN).

By type of work, official tenders are divided into civil engineering of 29.5% and with a growth in building of 35.6%, compared to the end of 2016, with similar growth in both new works and in renovation and conservation works.

Activity in the construction sector during 2017 was characterised by the continuity in the building recovery process of and moderation in the decline in public investment. The socio-political situation during 2016 caused public investment to fall significantly.

According to estimate at the end of 2017 by Oficemen, visible cement consumption in 2017 fell by 10% to 12.3 million tonnes, although this was counteracted by 10% decrease in exports to 8.9 million tonnes.

The International Monetary Fund and Banco de España place the country's growth forecast at 2.4%. In 2018, growth in public investment is expected as well as positive figures in the building sector. In line with these trends and according to its estimate in January 2018, Oficemen expects cement consumption growth of around 12%, reaching 13.7 million tonnes.

International market

Tunisia

In 2017, the Tunisian market remained at around 7.2 million tonnes, a reduction of -0.5% compared to 2016 sales. Also, exports to Algeria and Libya were halted in 2017.

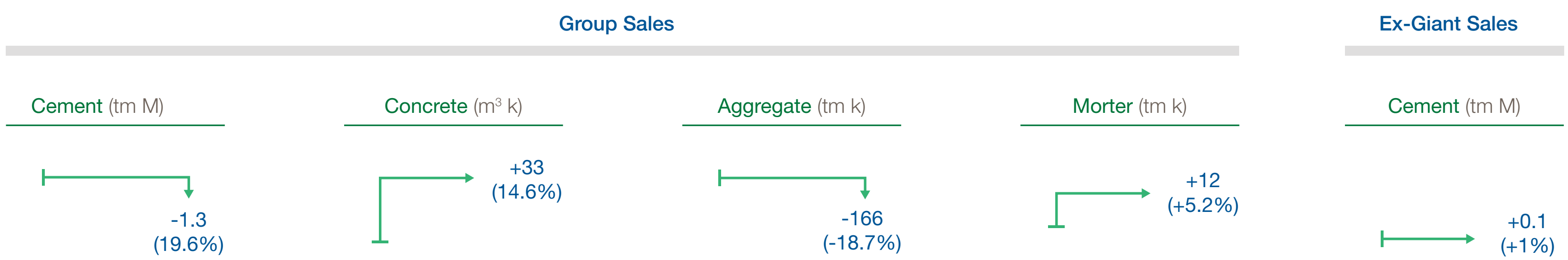
Activities and geographical areas

Group sales

The volume of cement and clinker sold 2017 reached 5.7 million tonnes, a decrease of 19.6% compared to the previous year, mainly due to the deconsolidation of the US subgroup Giant Cement in November 2016. Excluding the impact of Giant's sales, the volume sold increased by 1%.

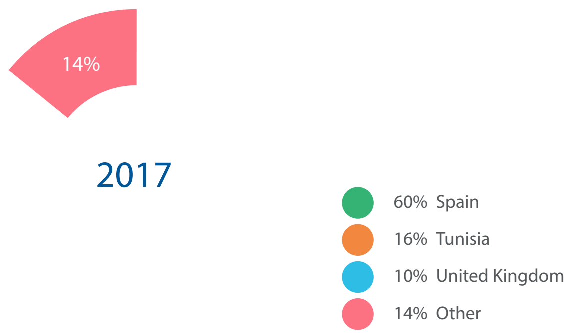
Variations in volume per country show different trends:

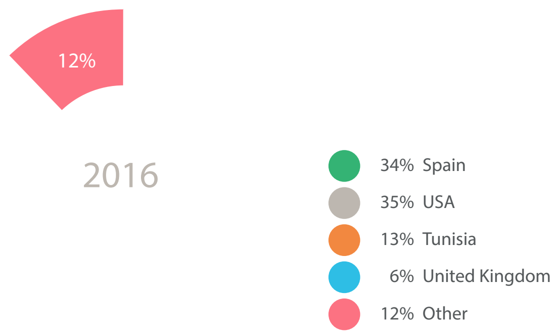
- In the case of **Spain**, volume increased by 6.3%, from 4.1 to 4.3 million tonnes sold, mainly due to growth in the domestic market, with exports remaining in line with 2016.
- In **Tunisia**, the volume went down from 1.6 to 1.4 million tonnes, a 15.1% decrease in sales, affected mainly by restrictions on exports to Algeria and Libya during the year.



Distribution of activity by country

In 2017, international sales accounted for 40.3% of billings. This percentage has reduced compared to the previous year due to the deconsolidation of Giant in November 2016.





Distribution of activity by businesses

Once the concentration policy in the cement business was concluded, the product mix has remained very stable compared to the previous year such that the cement business accounts for 91% of revenues.

2017

91% Cement
9% C, M, A

2016

90% Cement
5% C, M, A
5% Waste

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

Milestones in 2017

During 2017, the **Public Acquisition Bid of Shares took place as did the removal of the head company of the area**.

On 23 February 2017, Fomento de Construcciones y Contratas, S.A. concluded the settlement of the takeover bid for all the shares of CPV, S.A. authorised by the National Securities Market Commission on 22 December 2016; the announcement of the Offer and making the Explanatory Prospectus available to the interested parties occurred on 29 December 2016. Shares in Cementos Portland Valderrivas, S.A. were delisted on 24 February 2017.

The Offer was for 100% of CPV's share capital consisting of 51,786,608 shares, admitted to trading on the Bilbao and Madrid Stock Exchanges, and excluding 41,131,105 shares, representing 79.42% of the capital, which were immobilised by their respective holders until the end of the offer; consequently, the Offer was effectively extended to the acquisition of 10,655,503 CPV shares, which represented 20.58% of the share capital.

On 17 February 2017, the National Securities Market Commission reported that the public acquisition bid had been accepted for 9,356,605 shares, representing 87.81% of the shares to which the offer was aimed and 18.07% of the share capital of Cementos Portland Valderrivas, S.A. at that time. On 20 February 2017, Fomento de Construcciones y Contratas, S.A. communicated that there was no place to carry out compulsory sales transactions in accordance with the provisions of section III.2 of the Offer's Explanatory Prospectus.

Capital increase

Under the syndicated financing agreement closed between 29 July and 1 August 2016, for a total amount of 535,216 euros, Fomento de Construcciones y Contratas, S.A., assumed the commitment to capitalise the total amount of the subordinated loans which at 31 December 2016 amounted to 423,288 euros within 12 months from the entry into force of said contract (1 August 2016) through the corresponding capital increase.

This capital increase with pre-emptive rights was aimed at strengthening the Company's capital structure and financial ratios, decreasing the relative weight of its financial debt, and with the purpose of improving the situation of the area to face compliance with the commitments acquired with its financing entities as well as to develop the business strategy of the CPV Group.

Raos Port Terminal, Santander (Cantabria, Spain).

As previously described, Fomento de Construcciones y Contratas, S.A. assumed the commitment to subscribe the capital increase partially through compensation of the Subordinated Loans to Capitalise, which will allow the CPV Group to reduce its borrowings without having to face a cash outflow. Also, through recognition of the pre-emptive subscription, the capital increase gave shareholders the opportunity to maintain their shareholding percentage.

The capital increase was approved at the General Shareholders' Meeting of Cementos Portland Valderrivas, S.A. held on 19 June 2017.

The details of the capital increase, according to the information brochure registered with the National Securities Market Commission, were:

- The capital increase for a nominal amount of 131,622,024 euros and a total effective amount of 434,352,679.20 euros, through the issuance and circulation of a total of 87,748,016 new shares with a par value of 1.50 euros each, of the same class and series as the Company's shares in circulation, represented by book entries, with an issue premium of 3.45 per share, which implies a total issue premium of 302,730,655.20 euros.
- Unit issue type of the capital increase of 4.95 euros for each new share (the "subscription price"), with recognition of the pre-emptive rights to all Company shareholders by way of 74 new shares for every 43 they held.

The subscription period for the capital increase through cash contributions and conversion of loans ended on 23 July 2017.

In accordance with the certificate provided by the Agent Entity on 27 July 2017, the result of said capital increase was as follows:

- Shares subscribed through monetary contributions: 108,632 shares, with a par value of 162,948 euros and an issue premium of 374,780.40 euros.
- Shares subscribed through conversion of loans: 85,512,698 shares, with a par value of 128,269,047 euros and an issue premium of 295,018,808.10 euros.

As a result:

- In the aforementioned capital increase, a total of 85,621,330 shares were subscribed and paid, amounting to par value of 128.4 thousand euros and an issue premium of 295.3 thousand euros.
- A total of 2,126,686 shares were not subscribed, with a par value of 3,190 thousand euros.
- FCC's effective shareholding in CPV S.A. reached 99.04% in December.

The development of the FCC Group's Corporate Social Responsibility Policy

6

FCC responds to global challenges

Through its mission, FCC responds to the challenges which define the development of cities. Global trends lead to scenarios in which demographic growth, climate change, the scarcity of natural resources and inequality are the greatest problems to address.

For the company, these challenges adjust its competitive environment, drive the commitment to provide solutions to them forwards and detect opportunities linked to its business. Corporate Social Responsibility (CSR) is the tool that allows FCC to identify trends and define a response by means of several channels: materiality analysis, development of programmes within the framework of the Corporate Social Responsibility 2020 Master Plan (CSR2020MP) and monitoring of objectives, and corporate and per business reporting.

Over the last 10 years, the Group's track record in CSR has been focused on efficiency in services, health and safety, staff development, the relationship with communities and support for vulnerable groups, the environment, ethics and compliance, and sustainable innovation.

Since the end of 2015, the company's CSR programmes, as well as the design of the CSR 2020 Master Plan, have been aligned with the 17 Sustainable Development Goals (SDGs); a set of global goals established by the United Nations to eradicate poverty and protect the planet, being a common sustainable development agenda for governments, civil society and the private sector.

Milestones and commitments of CSR in FCC

2005
- Creation of Corporate Responsibility management.

2006
- Forming of the FCC Group's Corporate Responsibility Committee.

2007
- Drafting of the First CSR Master Plan (2007-2008) (FCC Inter-company Committee).

2008
- Approval of FCC's Code of Ethics by the Board of Directors.
- Inclusion on the Dow Jones Sustainability Index World.

2009
- Approval of the Group's Environmental Policy

  Drafting of the Second CSR Master Plan (2009-2010).

  FCC's inclusion in the FTSE4Good socially responsible index.

2011
- FCC receives the Silver Class badge in the 2011 Yearbook, drawn up by RobecoSAM, for its assessed performance in the Dow Jones Sustainability Index.

2012
- Drafting of the Third CSR Master Plan (2012-2014), extended to 2015.
- Update of the FCC Group Code of Ethics.

2016
- Approval of the Group's Corporate Social Responsibility Policy by the Board.

2017
- Approval of the IV CSR Master Plan (2018-2020).

FCC is part of the Management Board of the Excellence in Sustainability Club and chairs the Corporate Governance Committee and it also belongs to Forética, two of the most important CSR clusters in Spain. Its most noteworthy participation is in the analysis and dissemination of good governance and business ethics practices due to the benchmark role the company has in these matters.

FCC`s commitment to CSR

FCC's commitment to CSR began a decade ago, demonstrating its commitment to CSR via the four master plans, approved by the Board of Directors and supervised by the Corporate Responsibility department and coordinated by the CSR Committee. This commitment was formalised in 2008, in the highest-ranking regulation at FCC: its Code of Ethics.

The current Code of Ethics, whose update will be approved at the beginning of 2018, is the document which frames compliance with the ethical, environmental and social aspects, which in turn are developed through the various corporate policies, responsibilities and action plans.

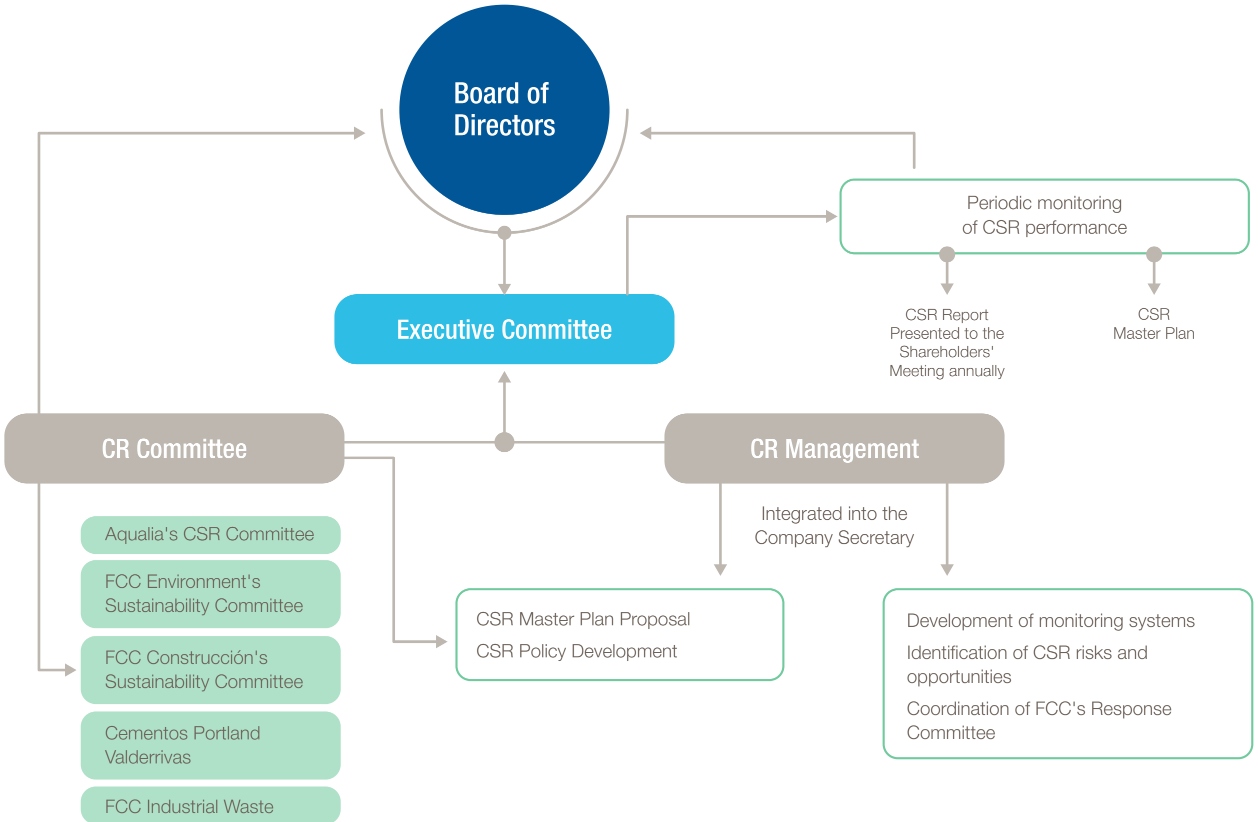
The current Corporate Social Responsibility Policy was approved on 28 July 2016 by the plenary session of the Board of Directors of FCC and defines the commitments acquired by all the company's business activities in terms of Integrity and Business Ethics, respect for the environment and the creation of values shared with society.

With the approval of the CSR Policy by the Board, FCC complies with the provisions in article 529 ter of the Spanish Capital Companies Act regarding the approval of that policy by all of the Directors, and it follows recommendation 54 of the Good Governance Code of Listed Companies of the CNMV (hereinafter, GGC), which recommends that the Board voluntarily approve a CSR Policy, including the commitments undertaken in relation to the various stakeholders.

The Executive Committee, guarantor of compliance with the CSR Policy

According to this Policy, the Board of Directors is entrusted with the correct supervision of Corporate Social Responsibility, by delegating this function to its Executive Committee, following recommendation 53 of the above-mentioned GGC.

The materialisation and coordination of this Policy is the responsibility of the Corporate Responsibility department, together with FCC's Corporate Responsibility Committee, which integrates the business areas and sometimes the corporate departments involved in the items of the agenda, whenever meetings are held. This Committee is chaired by the Group's General Secretary who, in turn, reports both hierarchically and functionally to the CR department.



CSR 2020 Master Plan

FCC's Board of Directors approved the CSR Master Plan for the 2020 horizon. As stated in recommendation 54 of the GGC, the plenary of the Board of Directors had already approved the Group's Corporate Social Responsibility Policy in 2016 which includes the principles or commitments that FCC assumes in its relations with various stakeholders, which establishes goals and develops support instruments.

The IV Master Plan FCC 2018-2020, to comply with the provisions of the CSR Policy and to respond to commitments with stakeholders, has been prepared from in-depth analysis of social and environmental needs, as well as medium and long term trends. The new training developments, the global challenges identified in the United Nations 2030 Agenda for Sustainable Development, the demands of the environment, and the purpose of adding value to the Group's own business have defined 15 action programmes, structured around the three following axes:

FCC Connected, which includes initiatives with employees and the community under the "precaution" principle, with prior establishment of the evaluation and mitigation systems for the impacts which the Group's activities may cause to people or the environment. This axis addresses projects in both the community and in cities. For example, social actions are considered in places where there is a possibility or need to provide added value, volunteer programmes, educational and awareness actions, sustainable mobility projects and new methods to measure socio-economic impact.

Smart services, which includes the actions that allow businesses to provide services with greater energy efficiency and consuming resources, incorporating value added innovations to these services. In this sense, the Plan includes drafting a plan for the circular economy, the revision of the Climate Change Strategy, the creation of a common methodology for calculating the impact of its activities on water, the establishment of actions to protect biodiversity, and the creation of a space to exchange and debate R&D projects with a sustainable component.

FCC Ethics, which includes commitments regarding Ethics, Integrity, Good Governance and People at FCC; To be implemented in this regard is the review of the current standards, the Code of Ethics and internal regulations, the formalisation of a commitment regarding responsible purchasing, the implementation of a human rights policy, and the improvement in the selection, talent management and employee development.

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

CSR Master Plan 2020

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

- Protocol for the assessment of the social contribution.
- Global volunteer programme.
- FCC Educa. Panel.
- Sustainability awareness and training programme for schools.
- Stakeholders' map.
- Round table of target cities.
- Method of measuring the environmental and economic impact.

2 Smart services:
FCC is the leader in the design of future sustainable cities.

- Circular Economy Plan with specific lines of work.
- Review of the Climate Change Strategy.
- Definition of quantitative objectives and adherence to initiatives to combat climate change.
- Calculation of the water footprint.
- Mapping of areas of interest for biodiversity.
- Space for the exchange and debate on R&D.

3 FCC Ethics:
FCC is a model of authenticity in its commitment.

- Plan for the dissemination and training of the new Code of Ethics.
- Commitment to train in responsible purchasing.
- ESG risks map for suppliers.
- Development of a human rights policy
- Actions to promote extensive equality for suppliers.
- Plans for improvement and empowerment of the preventive culture.

FCC is aligned with the Sustainable Development Goals (SDG)

In 2015, the United Nations approved the 17 Sustainable Development Goals (SDGs), which group together 169 specific goals in order for countries, their citizens and companies to have an effective guide for minimising the social, economic and environmental problems globally. FCC has integrated these commitments into its Corporate Social Responsibility, contributing to the their achievement and aligning itself with the global sustainability agenda of countries, organisations and companies.

Thanks to the implementation of good practices and measures regarding CSR over the last decade, the company has laid the foundations to progressively contribute to the fulfilment of the SDGs.

FCC has identified its contribution to the SDGs so as to integrate them into its CSR Master Plan. FCC's activities contribute directly to the achievement of the following SDGs: Water and sanitation (SDG 6), through its end-to-end water management services, favouring access and ensuring the availability of the resource; Affordable and non-polluting energy (SDG 7), working in the search for energy solutions; Industry, Innovation and Infrastructure (SDG 9), using innovative technologies and contributing to the growth and development of societies through the construction of resilient and sustainable infrastructure; Sustainable cities and communities (SDG 11), investing in innovation in water, waste and infrastructure management; Responsible production and consumption (SDG 12), promoting the efficient use of resources and offering services to reduce waste through reuse and recovery; and Climate Action (SDG 13), monitoring, reducing and communicating their carbon footprint, and redesigning the services offered by adapting them to resist the effects of climate change.

The three lines of action of the CSR Master Plan are currently structured into a set of work programmes, actions and objectives which each business and the company as a whole will be responsible for implementing effectively in their management areas. These three CSR lines of action are drafted so that they consider the SDGs, therefore contributing to achieving the Global Sustainability Agenda.

The diagram below describes the Group's contribution to each of the SDGs which it directly and indirectly influences.

Direct contribution

6 CLEAN WATER AND SANITATION

It offers end-to-end water management services which favour access to water and sanitation, and ensuring availability of this resource.

7 AFFORDABLE AND CLEAN ENERGY

It seeks out non-polluting energy solutions to obtain non-polluting biofuels.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

It uses innovative technologies and builds infrastructure which guarantees resilience, reliability and sustainability.

11 SUSTAINABLE CITIES AND COMMUNITIES

It invests in efficient management of water, waste and infrastructure innovation, and in the creation and re-planning of cities of the future.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

It promotes the efficient use of resources and offers services to reduce the amount of waste generated through reuse and recovery.

13 CLIMATE ACTION

It monitors reduces and communicates its carbon footprint and redesigns the services offered by adapting them to fight the effects of climate change.

Indirect contribution

1 NO POVERTY

Through the creation of local employment in the communities, enhancing the business fabric of local areas.

3 GOOD HEALTH AND WELL-BEING

It implements health and safety policies for its employees, their families, its suppliers and the communities in which they operate.

4 QUALITY EDUCATION

It establishes collaborations with universities and study centres, and provides training to its employees, as well as encouraging training for local communities.

5 GENDER EQUALITY

It promotes gender equality in the selection, training and remuneration processes for all professionals, as well as participating in awareness-raising initiatives.

8 DECENT WORK AND ECONOMIC GROWTH

It contributes to the economic development of communities, providing employment and respecting human rights.

10 REDUCED INEQUALITIES

It reduces inequality in communities by promoting equal opportunities, inclusive programmes and through employment with living wages.

15 LIFE ON LAND

It manages its projects sustainably to avoid land degradation and to minimise biodiversity loss.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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

17 PARTNERSHIPS FOR THE GOALS

It collaborates and participates with entities, companies, universities and technology centres to carry out dissemination, training or technological innovation projects.

Although the contribution of the Group as a whole to the SDGs is clear, it is more evident in the End-to-End Water Management and Environmental Services businesses. Due to the nature of these activities, linked to the most basic human rights, their alignment with global challenges and direct impact on the SDGs are significant.

Aware of this important role, these two Water and Environmental Services businesses maintain a special involvement in the Global Agenda through the implementation of specific actions linked to it.

Aqualia and the SDGs

Aqualia accepts its commitment to achieving the SDGs most closely related to its activity. This commitment is evidenced in the real and specific actions which contribute to the transformation in the territories in which it provides services.

The company has a website specifically dedicated to communicating the actions it carries out in relation to achieving the SDGs, therefore contributing to disseminating and raising awareness about this new agenda for sustainable development. Aqualia is expressly committed to 12 SDGs, and the achievements and performance data related to them are published on this website.

Aqualia's real contributions to the SDGs

In the last five years, Aqualia has invested more than 120 million euros in infrastructure to serve 23 million people.

Aqualia organises 150 awareness-raising events every year, involving around 15,000 people

Aqualia holds the "Equality in the Company" seal, granted by the Ministry of Health, Social Services and Equality.

The "Be Aqualia" concept aims to develop a comprehensive Human Resources policy, based on three pillars: Health, Safety and Well-being.

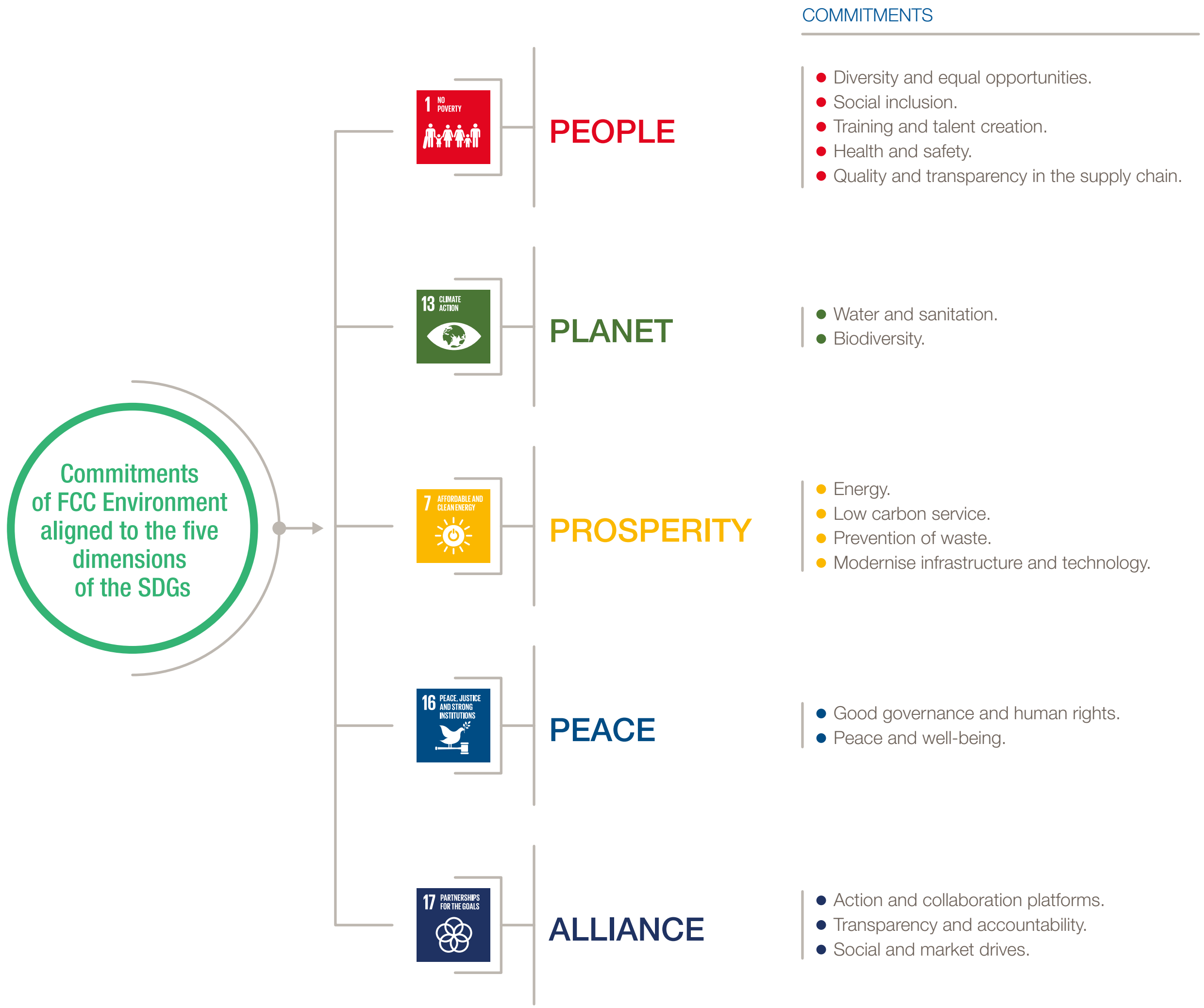
Environmental Services and the SDGs

FCC's Environmental Services division, being aware of its role in society and its responsibility in contributing to the SDGs, understands that it must work in the most efficient manner possible to ensure compliance with them. And this is their transversal inclusion into its business, restructuring the management model to align with them.

Firstly, the company considers it essential to establish the order of the objectives to which it must provide special support, based on the characteristics of its activity and the environment where it develops it. Through this, it can focus its initiatives on those objectives most directly related to its activity, maximising the effect on all the SDGs.

The specific contribution of the organisation to the SDGs as a whole, translates into five work targets: people, planet, prosperity, peace and alliances, which encompass concrete objectives regarding the development of communities, green growth and the fight against climate change; a favourable work environment; the drive towards public-private collaboration and the opening to the third sector, among others.

In some cities in Spain, FCC Environment has already begun to apply the new management model aligned with the SDGs.



Our people

Employees

57,405
54,467 in 2016

78% men
22% women

FCC's team

The **operational excellence** achieved in each FCC project is achieved **thanks to the commitment of the entire team**.

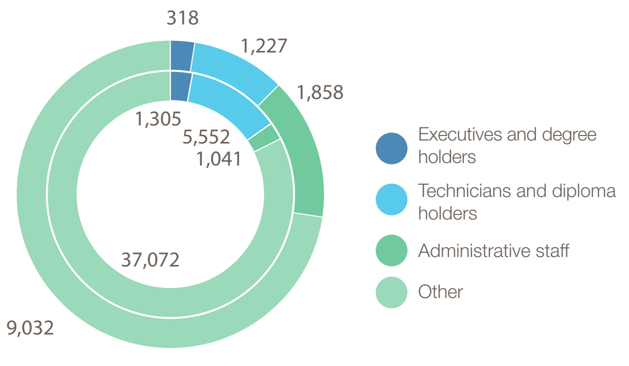
FCC bases the relationship with its employees on its Human Resources Policy, which aims to achieve excellence in performance, attracting and fostering talent by creating an inclusive and stimulating environment which ensures long-term value creation.

The company prioritises the promotion of diversity and equality, and the training of its workers which is why it has implemented internal procedures, programmes and actions. FCC is aware that, through the promotion of these aspects, the positive repercussions go beyond improving the company's performance, but also have an impact on the progress of society.

Finally, occupational safety and health is a fundamental pillar in the management of FCC's activities, so the company continuously improves its systems, procedures and resources. This is addressed internally, but also hand-in-hand with the main consulting entities and public and private organisations.

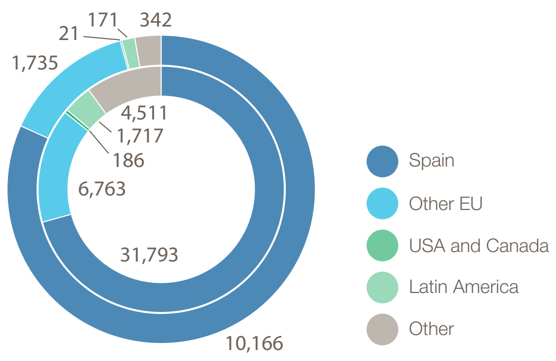
The company's relationship with its employees is structured around three fundamental axes: talent; dialogue and representation of workers; and equality and diversity.

Workforce by gender and group



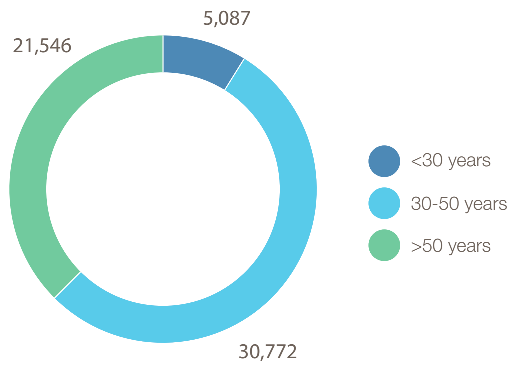
Internal circle: men.
External circle: women.

Distribution by gender and geographic area

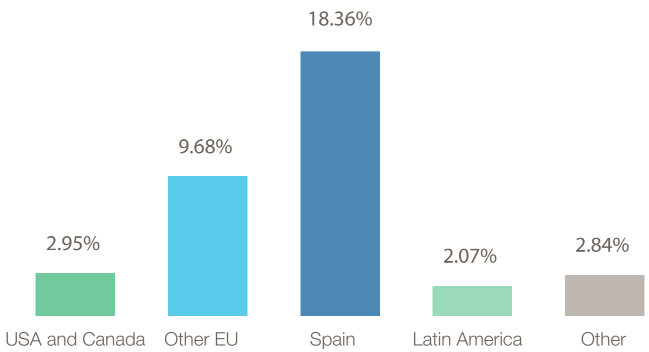


Internal circle: men.
External circle: women.

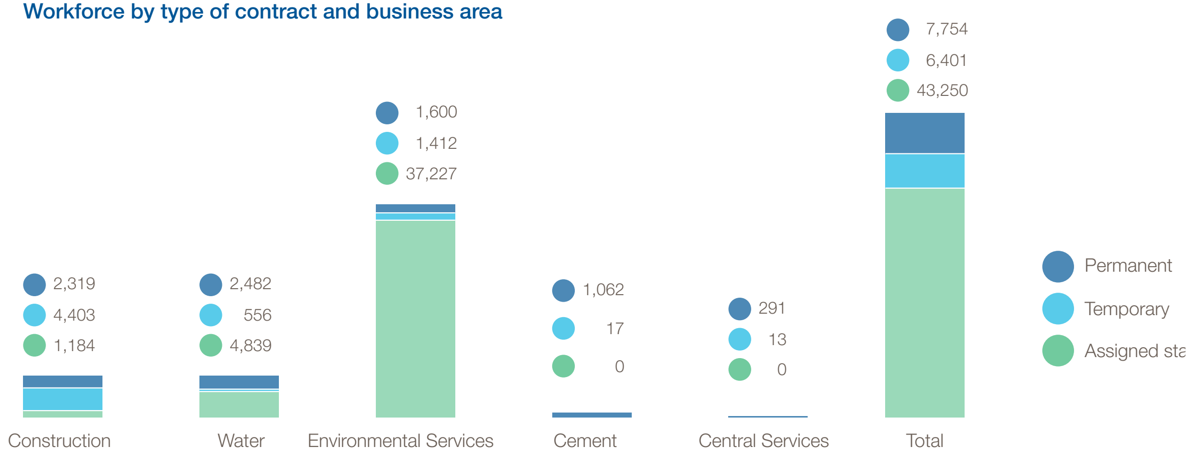
Distribution by age range



Average rotation by geographic area



Workforce by type of contract and business area

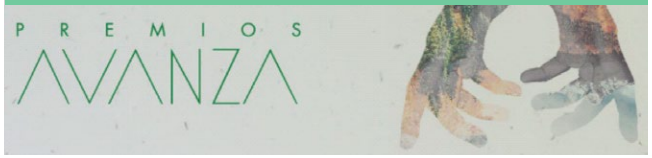


Talent

FCC creates a suitable environment to attract, motivate, develop and retain the best professionals. The first step is in the employee selection process, so the company has a presence on the widest range of possible recruitment sources, both internally and externally - such as LinkedIn, Infojobs, public employment services or universities - providing greater visibility to FCC as an employer.

FCC invests in developing the abilities of its employees with the aim of promoting better performance of their duties and to encourage new opportunities for their potential. A series of initiatives were launched in 2017 to attract and retain talent based on internal mobility and training, the best practices for selecting people and incentives for good management:

- FCC offers **internal mobility** programmes to its professionals which constitute a development opportunity and improving many skills. Employees can access the new online application through the intranet, which the vacancies available worldwide are published.
- The Group is aware that selection processes without personal data avoid possible discrimination, and with this intention, in 2017 it adhered to the Ministry of Health project to promote an anonymous C.V. for job offers. The purpose is to establish a general collaboration framework between the Secretary of State for Social Services and Equality and the FCC Group -Environmental Services, Aqualia, FCC Construcción and Central Services- for the design, drafting, and monitoring of a project to promote the use of selection processes which avoid bias and discrimination.
- The recognition of the organisation's staff and incentives for good management, through the "**Avanza Awards**", an initiative launched in 2017 to reward best practices in the categories of Innovation, Quality, CSR and Environment.
- In addition, FCC recognises the long-term commitment of its employees with the "Loyalty Awards". In 2017, 93 awards were given to workers who had been with the company for 25 years, and 14 to those with more than 40 years with the company.



For the promotion of good practices in working environments

This initiative recognises the work and effort made by the organisation's staff, which day-to-day contributes to improving the company's competitiveness, the social integration within it, the improvement to the quality of business processes, respect for the environment and the development and application of innovative solutions or practices. The prizes have been awarded by Human Resources managers, in the categories of Innovation, Quality, Corporate Social Responsibility and Environment. The winners were:

In the corporate area, in the innovation category, the integral management of powers of attorney, by legal advice.

The awards in Environmental Services were in the quality, environment, innovation and CSR categories, with the latter highlighting the creation of the Special Employment Centre, FCC Equal CEE S.L in Castilla y León.

The award for Aqualia took place in the innovation category, for the development which improve end users' consumption indicators, promoted by the Customer Department and IT.

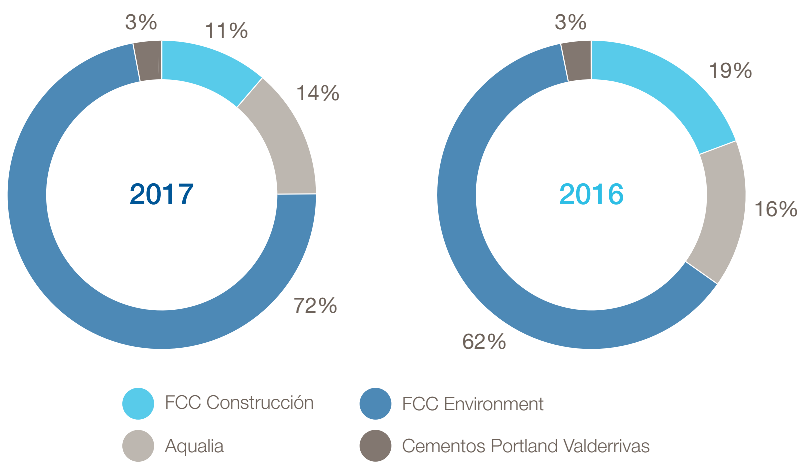
And finally, in FCC Construcción, the awards went to the quality, environment, CSR and innovation categories, with this last category being for obtaining the European patent for the assembly of track over basalt without the need for an auxiliary channel, promoted by Quality and CSR management.

Training

2017

467,021 hours of training
45,772 participants

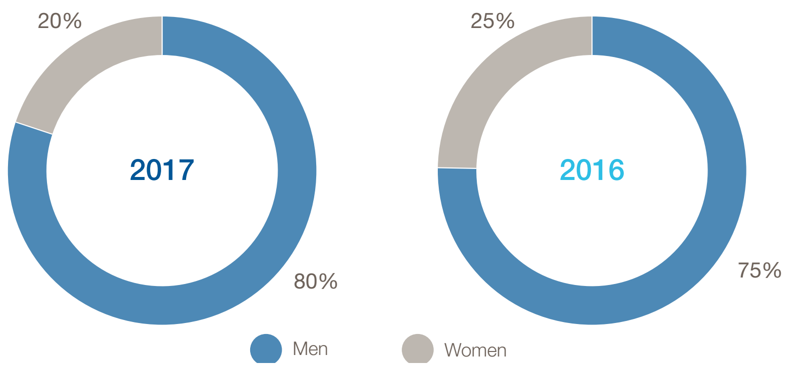
Number of training hours by business



2016

436,916 hours of training
46,279 participants

Participants by gender



FCC offers a **training** catalogue to its employees both in-person and online, which seeks to meet the demand of professionals, and which is mostly done within the working day. The company also carries out training programmes outwith its employees, collaborating with universities and communities to develop of the professional capacities of people. Below are some of the most noteworthy of the company's training programmes.

Training programmes

Collaboration agreements with universities

FCC take work experience students into the company for which they receive financial aid. The group of scholarship holders includes university students, graduates and postgraduates and vocational training.

Promociona Project

The company has participated in 4 editions of this project, specialised in the training of women to gain access to senior management and boards positions.

7 women in **2017**

International Programme for Young Talents

Developed by FCC Construcción, this programme fosters the development of recent graduates, consisting of a theoretical training phase and another of experience in national and international projects.

Aqualia bets on young talent

In 2017, Aqualia incorporated trainees who had completed the Master in Engineering and Water from the EOI (School of Industrial Organisation), with which the company has had a collaboration agreement since the end of 2016, betting on the integration of young talent specialised in the water sector.

Women high potential from the School of Industrial Organisation

This programme, of which FCC has been a part since 2011, is designed to participants with management responsibilities.

3 people as mentors

3 executives as students

Dialogue and representation of workers [102-41]

FCC understands that establish a link with its workers is through dialogue with them, in addition to their legal representatives, trade unions and other social agents. This desire for dialogue is reflected in Labour Relations which deals with monitoring collective procedures, collective bargaining and social dialogue, and also defining the general criteria for action, monitoring and coordination of equality plans and diversity management.

All this is done through various collective processes such as the forming of monitoring committees, which are carried out transparently, providing the employees and their representatives with all the necessary information.

– **Collective bargaining:** all FCC staff in Spain are covered by a collective agreement, regardless of the business area.

– **Contentious working procedures:** In addition to legal-labour files, other reasons are the files derived from the Labour Inspectorate's activities, or dismissals and sanctions.

Contentious working procedures

1,467 legal-labour files processed **in 2017**

Aqualia, Environmental Services and Construction at the negotiating tables

The Construction business negotiated the signing of the VI collective construction agreement in September 2017. It has also been present in numerous local negotiations.

In 2017, FCC Environmental (Spain) and Aqualia were present at numerous negotiating tables for agreements and collective contract agreements and work centres, as well as participation in the negotiation of collective bargaining agreements for specific activities at the provincial and national level, participating in over one hundred collective agreements negotiation processes, the vast majority of them in Spain. Throughout 2017, Aqualia extended the application of the V State Water Collective Agreement, including relevant groups within company collective agreements or work centres.

Equality and Diversity

FCC includes the principle of equal opportunities in its Code of Ethics. The company goes further in its commitment, however, developing alliances, programmes and adhering to agreements to promote equality between men and women, and the inclusion of people with disabilities.

Women make up 22% of FCC's global workforce, and there is a visible commitment by the company to progressively increase the number of women in positions of responsibility.

FCC adheres to the principles of the

UNITED NATIONS GLOBAL COMPACT

promoting the empowerment of women

ENVIRONMENTAL SERVICES, CONSTRUCTION AND AQUALIA

they have an agreement with the Ministry of Health, Social Services and Equality to increase the presence of women in management positions.

THE MENTORING PROGRAMME

Aqualia, drives female talent through mentors who guide the mentees with their experience and knowledge.

Board of Directors

4 women on the Board of Directors which equals **26.7%**

Women in first person

In 2017, Aqualia published the book *Mujeres en primera persona* ("Women in first person") which recalls the experience of more than 60 women in the day-to-day management of the end-to-end water cycle. This action is framed in the set of activities developed by Aqualia as a company with the Equality in the Company hallmark granted by the Ministry of Health, Social Affairs and Equality. Additionally in 2017, Aqualia received the Family Responsible Company certificate from the Masfamilia Foundation.

FCC's Equality Plans

The company demonstrates its commitment to equal opportunities through the different **equality plans** in its business areas. These plans include specific measures adapted to the reality of each business and have the corresponding monitoring bodies, composed in equal numbers with business and trade union representation, which promote the development and integration of the different subjects and measures referred to in the plans.

It should be noted that, after the adoption of the first equality plans by all businesses, the second equality plans were signed by FCC Construcción, FCC Industrial and Aqualia in 2017. This entails more exhaustive monitoring and the setting of more specific and ambitious objectives, which reaffirms the commitment of these businesses to equal opportunities.

Thanks to the application of equality and diversity policies in FCC, four companies (Environmental Services, FCC Construcción, FCC Industrial and Aqualia) have the **Equality Seal**, a mark of excellence granted by the Ministry of Health, Social Services and Equality, and which carries the commitment to periodically report on indicators.

FCC against gender violence

The company has a public and ongoing commitment against gender violence based on two fundamental principles: zero tolerance and support for the social and professional integration of the victims.

FCC collaborates with a network of
COMPANIES FOR A SOCIETY FREE FROM GENDER VIOLENCE

FCC collaborates with
Fundación Integra and the Spanish Red Cross
to promote the labour inclusion of women who have been victims of gender violence

In 2017
FUNDACIÓN INTEGRA
awarded the work of Environmental Services for employing over 200 people at risk of exclusion.

Day against gender violence

Every November 25, FCC recalls its commitment to zero tolerance for gender violence, forming a heart at its corporate headquarters in Las Tablas, Madrid, under the slogan *Yo Contigo* ("I'm With You").

10 REDUCED INEQUALITIES

17 PARTNERSHIPS FOR THE GOALS

Integration of people with disabilities

FCC shows a clear commitment to the integration of people with disabilities into the labour market, as a key element for social integration and personal improvement. The company collaborates with specialised entities which advise on recruitment management and employment support for people with disabilities.

Collaboration between the private companies and the third sector is essential in making this collective more visible and to offer them job opportunities as well as normalising their situation. The Group therefore rolls out various programmes and agreements with organisations which assist with labour integration and the professional development of people with disabilities.

Currently, FCC has

1,058 workers with a disability,

129 more than in 2016,

who are found across all levels of the company.

Social inclusion programmes for people with disabilities

Labour integration

FCC EQUAL CEE

Driven by the Environmental Services area, FCC Equal is a special employment centre which was extended to the Valencian Community in 2017. Thirty people with severe disabilities work there, seeking to develop people with disabilities professionally.

Fundación ONCE (Inserta Programme):

On 13 March 2017, FCC signed a collaboration agreement with Fundación ONCE, which seeks the labour insertion of people with disabilities.

125

people contracted in three years, which now totals **294** under the previous agreement

Fundación Adecco (Family Plan)

This plan consists of an activities programme focused on increasing the autonomy, integration and subsequent access to the labour market of family members with disabilities.

Fundación Prevent (Learning and Entrepreneurship Programme)

FCC collaborates in this training and mentoring programme in collaboration with the ESADE business school and which offers knowledge and preparation to entrepreneurs with disabilities.

Environmental Services, recognised by the Integra Foundation for its commitment to assisting vulnerable groups enter the labour market

As noted at the beginning of this section, among the company's group of initiatives against gender violence, acknowledgement of the work of FCC Environment (Spain) by the Integra Foundation stands out. The awards ceremony took place in October 2017 during the annual celebration that the Integra Foundations carries out to reward companies committed to socially responsible employment, and the inclusion of people with disabilities or at risk of social exclusion into the labour market. The event was held under the title 'Avanzando en nuestro compromiso: 10.000 oportunidades de empleo social'.(Moving forwards with our commitment: 10,000 social employment opportunities').

Construction #enpositivo

The construction area and the Adecco Foundation have a collaboration agreement which is the cornerstone in the development of integration programmes for people with disabilities in the social and labour spheres. From a work perspective, people with disabilities are incorporated into the workforce in FCC Construcción and FCC Industrial through the Adecco Foundation. The Foundation itself is that which imparts training for future employees with the aim of equipping them for the functions they will perform, and monitoring the workers to ensure the success of the process.

Disability Days were held in November which allowed for open dialogue between the company's workers, Pablo Pineda, ambassador of the Adecco Foundation, and the FCC ambassadors.

Occupational health and safety

FCC works on creating a preventive culture to generate risk-free environments for its employees. Health and safety is a commitment for the organisation through joint prevention services being established in each business area.

For the participation of workers, health and safety committees have been set up (most notably those which cover FCC, S.A. and FCC Construcción) which meet quarterly and are the participation, analysis and decision-making bodies in the field of health and safety.

The company establishes occupational risk prevention management systems in each business area which are developed in line with the Health and Safety Policy, which is, in turn, aligned with the main internationally recognised standards. Since 2014, the systems of all business areas have certified according to the OHSAS 18001 standard, both nationally and internationally.

Accident rate

With respect to the previous year, in absolute terms of occupational accident rates, in 2017, 86 fewer cases of sick leave were registered than in 2016. In relative terms, the frequency index (amount of sick leave due to accident at work per million hours worked) decreased by 4.25% to stand at 26.10.

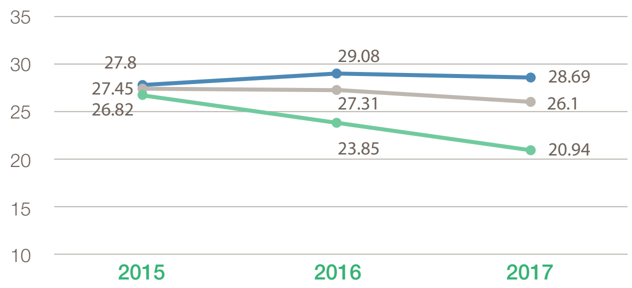
In the last year the attention to and monitoring of the processes derived from serious and fatal accidents has been reinforced, both from a technical and legal standpoint, to determine the causes of them. In absolute terms, in relation to the number of accidents with serious consequences, there was a significant decrease in 2017 compared to the previous year of more than 50%, especially in the area of Environmental Services.

Aqualia and improving the preventative culture

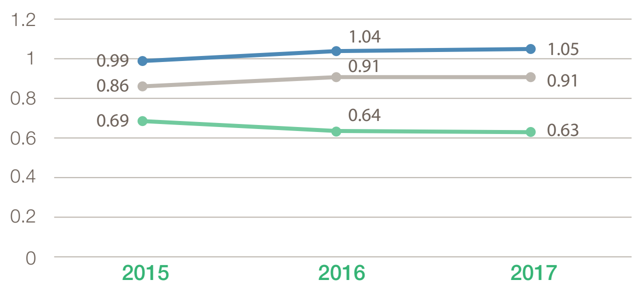
Aqualia has continued moving forwards in the development of its important project to improve the preventive culture 2015-2018. Achieving the following milestones stands out in 2018:

- The "Safety Walks" have been continued by the company's Directors.
- The "Security Conversations" tool in contracts has been widely rolled-out.
- The new training methodology for all the personnel called "refresher training" has been continued.
- Implementation of the "Safety Observations" tool continues.
- New positive prevention indicators have been designed and will come into force in 2018.
- A workshop has been held on a new accident investigation methodology and achievement recognition system.

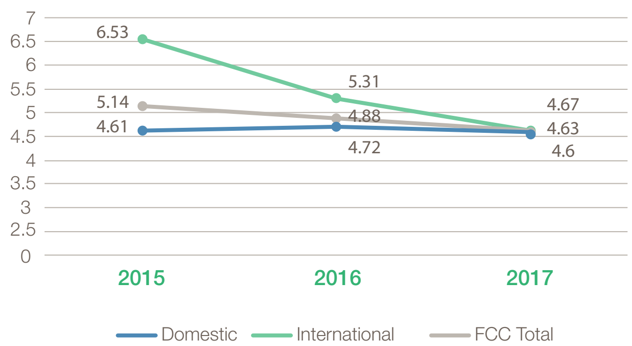
Evolution of the Frequency Index 2015-2017



Evolution of the Seriousness Index 2015-2017



Evolution of the Incident Index 2015-2017



Frequency Rate

Area	2015	2016	2017	Hedge
FCC Environment	33.33	34.82	33.79	Spain
	35.61	32.1	27.62	International
	34.09	**33.93**	**31.79**	**Total**
FCC Construcción	28.7	29.12	22.04	Spain
	0	12.57	9.93	International
	26.04	**25.93**	**17.18**	**Total**
Aqualia	13.55	14.77	14.72	Spain
	7.1	5.99	6.30	International
	11.56	**12.05**	**11.74**	**Total**
FCC Industrial Waste	21.88	17.79	27.44	Spain
	20.5	10.44	6.30	International
	21.17	**14.65**	**22.68**	**Total**
Cement	2.94	4.41	7.19	Spain
	6.41	3.16	3.08	International
	3.68	**5.94**	**5.78**	**Total**
Central Services	0	0	0.00	Spain
	0	0	0.00	International
	0	**0**	**0.00**	**Total**
FCC Total	27.8	29.08	28.69	Spain
	26.82	23.85	20.94	International
	27.45	**27.31**	**26.10**	**Total**

Frequency Rate: No. of Accidents with sick leave per million hours worked.
Severity Rate: No. of days lost for accidents per 1,000 hours worked.
Incidence Rate: No. of Accidents with sick leave per 100 workers.

Healthy company

FCC has been incorporating management procedures and processes in recent years taking the management models of recognised healthy businesses, such as that of AENOR as a reference, based on the WHO (World Health Organization) model. Noteworthy amongst these initiatives are the following:

Noteworthy actions

Healthy company certification

In 2017, audits were developed for healthy company certification in the 9 offices which were outstanding.

The **17** offices of the area will be certified at the beginning of 2018

Health, Safety, and Well-being Portal

In 2017, we worked on the development and update of this portal which makes content and resources available to employees related to preventative activities and healthy habits.

Assessment of Psycho-social Factors

In 2017, the design and preliminary work was carried out to address the assessment of psycho-social factors by all business areas in FCC's head office.

Mindfulness Training

Actions have been developed focused on the social and emotional well-being of workers, such as Mindfulness training.

5 workshops with a total of **104** participants

Participation initiatives

In regard to the participation of its worked in initiatives, FCC successfully took part in the eHealth Challenge in which 1,247 from 37 companies were part.

More than **450** of FCC's employees participated

The Aqualia team "Water People Ávila" was the running category in the overall ranking of companies.

In addition, the company has **medical services** which offer a social benefit for workers, while improving their quality of life. In this way, the medical services help to promote the physical, mental and social well-being of workers; they prevent possible injuries caused by the working conditions of the professional environment; they promote the protection of risks to health caused by external agents to the work environment; and improve the physical conditions of workers to equip them to the new post after work accidents.

Road safety

FCC continues to develop specific actions within the road safety strategies framework developed in each business, in order to continue contributing to reduced traffic accidents and pollution, to generate awareness of the environment and to improve road behaviours and conduct through the stressing of the regulations and their compliance.

Environmental Services promotes health

In 2017, FCC Environment (Spain) promoted health among its workers with initiatives to improve eating habits, such as the "If you eat well, you feel better. Have a healthy diet" programme, campaigns for the prevention of alcohol consumption, sports promotion programmes and the prevention of cardiovascular diseases.

Good practices in Construction

FCC Construcción developed various good practices related to road safety and mobility in 2017. Noteworthy amongst them are:

- Works mobility plans, such as the one developed in the 129 Homes in Cornellá project, in which, among other measures, it has established: road safety training, flexible start and finish times, car sharing, facilities for the use of bicycles and information on alternative routes.
- Use of electronic panels to dissuade speeding in the works diversions.
- Campaign to prevent the use of mobile phones, developed in all Andalusian centres.

Road Safety in Environmental Services

FCC Environment (Spain) considers this line of action to be a priority due to the large number of vehicles it has and which carry out their activity on public roads (12,518 vehicles). It has therefore carried out various actions in this regard:

- Awareness campaigns such as "12 months, 12 causes", stressing the danger of mobile phone use or drink driving.
- Studying routes to eliminate potentially dangerous manoeuvres.
- Training in efficient driving and in adverse situations.
- Creation of the "Intelligent Mobility Guide in the Field of Labour" in Murcia.

Health and Safety Awards

Improving the safety, health and well-being of people in the workplace is a fundamental pillar of the Organisation and aims to be a differentiating value in the development of FCC's activities. The effort of each person is of vital importance for everyone, as individuals and for the competitiveness and sustainability of the company.

For this reason, the health and safety awards are organised biennially to recognise and value three fundamental aspects of a solid preventive culture. There are three categories to the award: recognition of strategic measures for the prevention of occupational risks, the promotion of health, and the recognition of the work to promote healthy values, habits and practices (personal journey category).

In terms of external recognition, FCC Environment won the prestigious "*Sword of Honour*" in 2017, awarded by the British Safety Council in the category of health and safety management at work.

Managing impacts

11 SUSTAINABLE CITIES AND COMMUNITIES

Caring for and protecting the environment

FCC's business model promotes the commitment to environmental protection and responsible resource management, seeking to minimise environmental impact as an objective in the performance of its activities. It is with good reason that two of its main activities; the management of environmental services or end-to-end water management aim to provide citizens with a cleaner and more habitable environment, preserving the value of natural resources such as water or the biodiversity. This commitment to the environment is formalised in its Environmental Policy, approved by the Board of Directors, which is based on the principle of continuous improvement and the participation of all workers.

In each of the company's business lines it keeps track of the processes, trying to identify, assess and manage the impacts occasioned, in order to adapt the necessary practices to minimise them.

Environmental management system

FCC aims to implement its Environmental Management System in 100% of its activity and certify it in accordance with the UNE-EN ISO 14001:2015 standard. In 2017, the percentage of certified activity amounted to 84.5%.

The first step in any performance management in the company is to have the right information and data, essential for decision making. Therefore, to monitor the extra-financial information of all business lines, the company has a computer system called "Horizonte". In addition to social indicators, this platform contains more than 200 environmental indicators covering all the Group's businesses and geographies and affords greater understanding of the projects developed and their impacts, thus allowing the most appropriate improvement actions to be taken.

In this sense, FCC's different business areas implement measures to improve their environmental management:

- In **FCC Construcción**, managing the Environmental Plan of works and centres is carried out through software which, based on information, produces a database whose accuracy is certified through internal controls and audits. In addition, the risk of certain projects is monitored through evaluations and, if a high risk is determined, the company has an additional, more thorough, audit process called PETRA (Special Risk Management Plan).
- **Aqualia** has worked in 2017 on adapting its Management System to the structure of the new versions of the ISO 9001 and ISO 14001 standards, which were published in 2015. Likewise, it has included the Quality, Environmental and Energy Management Systems audits, and has worked on increasing the universal coverage of management certificates.
- **Cementos Portland Valderrivas** conducts its operations in line with its Environmental Management System ISO 14001, implemented and certified in all cement factories, which, in turn, are in the EMAS Registry (*The European Eco-Management and Audit Scheme*), a voluntary tool designed by the European Commission for registration and public recognition of those companies and organisations that have implemented an Environmental Management System that allows them to evaluate, manage and improve their environmental impacts.
- **Environmental Services** has quantified its environmental performance to establish possible objectives to improve its sustainable development to Horizon 2020. These indicators measure energy efficiency, water efficiency, the revaluation of waste, the technical improvement available and the technological innovation of the company.

Sustainability Assessment Method for Civil Engineering Works (SAMCEW)

The *Sustainability Assessment Method for Civil Engineering Works* (SAMCEW) is an internal methodology for assessing sustainability in civil engineering which allows civil engineering managers to demonstrate the sustainability of their projects to third parties. Through this methodology, FCC Construcción aims to align itself with the sustainability trends of its sector, with some of its objectives being minimising the use of resources and generation of waste, innovation, or the reduction of environmental and social impacts.

Participation and leadership of FCC Construcción in technical committees in its sector

The company is actively involved in various working groups related to sustainable construction, such as:

- ISO/TC59/SC17/WG5 "Civil Engineering Works", "Building construction / sustainability in building construction", on sustainability in civil engineering of which it chairs.
- CEN/TC350/WG6 "Civil Engineering Works", " Sustainability of Construction Works" on sustainability in civil engineering of which it chairs.
- CEN/TC350/WG5 "Social performance assessment of buildings", "Sustainability of Construction Works" on the assessment of the social performance in buildings.
- Members of the Advisory Board, responsible for drafting the development strategy of BREEAM Spain, representing stakeholders in the building sector.

Emission of NOx, SOx and particulates

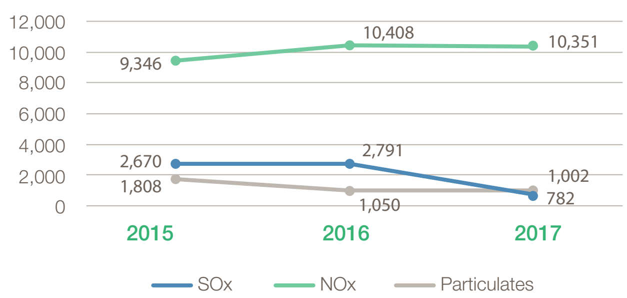
Regarding the emission of pollutants, other than greenhouse gases, generated by the FCC Group's activities, the following graph shows the evolution of SOx, NOx and particulate emissions.

From its analysis, a significant decrease in SOx of 72% was witnessed compared to 2016, due to the deconsolidation of Cementos Portland Valderrivas in the US, which in 2016 totalled 1,733.9 tonnes of SOx. Particulate emissions decreased by 5% over the previous year, while there was hardly any variation in NOx emissions.

All FCC's businesses carry out initiatives which contribute to the reduction of emissions associated with combustion, which directly lead to the reduction in emissions of NOx, SOx and particulates.

All the Group's centres subject to Integrated Environmental Authorisations (in accordance with Law IPPC 16/2002) have their own established atmospheric emissions' limits for all their sources of emissions. In general, all facilities have gas cleaning and filtering systems that use different techniques depending on the characteristics of the process generating the contaminants.

Emission of SOx, NOx and particles



The reduction of NOx emissions in Cementos Portland Valderrivas

Nitrogen oxides (NOx) is the most significant pollutant with respect to volume of emissions in FCC's Cement area. The company monitors and periodically controls emissions of these gases through specialised measuring systems, such as:

- Analysers for the measurement of particles in the emission sources channelled from furnaces, cement mills, coal mills and clinker chillers.
- Multi-parameter gas analysers in furnaces for measuring NOx, SO_2, CO, HCl, HF, TOC and O_2.

Responsible water management

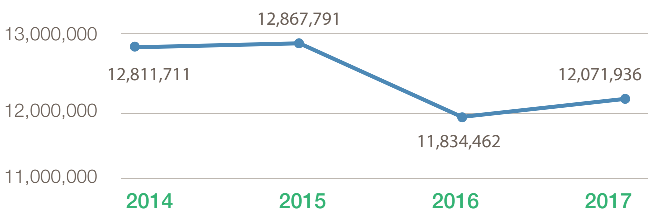
Population growth and climate change are two factors which threaten the availability and distribution of water resources. Mitigating the risks to this resource involves finding solutions to the growing demand for drinking water in the face of its increasing scarcity, impairment in its quality, and the impacts of extreme weather events.

Water consumption

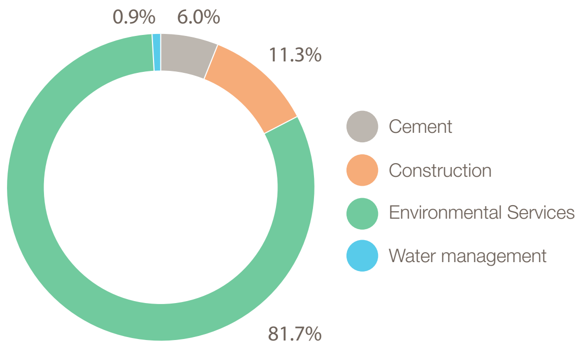
In 2017, the FCC Group's water consumption increased by only 2.01% compared to the previous year, with a volume of 12,071,936 m^3.

The following chart shows water consumption by business area: With respect to the previous year, the consumption of the Cement business shows a decrease of 58.9% in the total water consumed due to the divestment of its US business. On the other hand, the percentage of water consumed by the Construction division has decreased 18% compared to the previous year, due to the completion of the civil engineering phase in Riyadh and Qatar, as well as less activity in Panama. The percentage of water consumed by Environmental Services as a total of FCC's consumption increased 17.7% as FCC Environment UK was able to record water consumption, unlike the year before where there was no such record.

Water consumption (m^3)



Water consumption by business area (%)



Control of discharges and spills

FCC sets demanding procedures to prevent and manage discharges and spills, as well as protocols with specific actions to minimise the possible damage caused to the environment.

Wastewater produced by the Group's activities is subjected to different treatments before being discharges into the environment, depending on the degree of contamination and its origin. In this way, FCC complies with the discharge limits established by the regulations and formalises its commitment to the environment.

Total volume of water discharged in cubic metres(1)

2015	2016	2017
ND	2,136,677	1,902,257

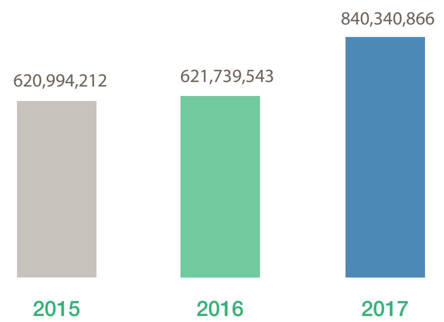
(1) Excludes Aqualia.

Water management by Aqualia

Aqualia's main objective is the efficient management, the highest quality in the provision of the service and the protection of water resources, as a company specialised in all the phases of the end-to-end water cycle, guaranteeing supply and applying the most innovative techniques.

In 2017, the total volume of water captured by Aqualia for its management was 840 million m^3. The increase in the figure over that of 2016 is mainly due to the inclusion of information on the volume captured by Aqualia Algeria for desalination.

Volume of captured water for management (m^3)



The following table shows the volume of water purified by Aqualia in the last three years.

Volume purified in WWTP and returned to the environment
(cubic metres)

2015	2016	2017
634,232,120	518,028,981	674,382,704[(1)]

(1) The increase is due to the report including the Aqualia's water treatment in Egypt, Saudi Arabia and United Arab Emirates.

Efficient management of waste generated

The business areas of FCC have waste management plans to responsibly use resources and reduce waste generation.

Cementos Portland Valderrivas ensures the correct and responsible management of the waste generated by its operations and for which it selectively collects the waste from each work centre. The company prioritises the most suitable option (recycling, reuse or recovery) as opposed to disposal or sending to a landfill.

In addition, the Environmental Management System of FCC Construcción has given special attention to the management of waste from works: earth, rocks, clean rubble, etc., also prioritising its recycling or recovery over landfill.

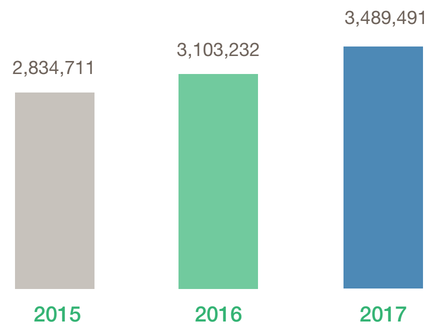
Aqualia relies on innovation to identify more advanced methods to reduce waste produced by its operations in the integrated management of the water cycle. These investments in search of new technologies focus on two courses of action: the production of biogas from organic waste produced by bacteria present in the digester for use as fuel in boilers and in the generation of electricity; and the reuse or recovery of the sludge from purification processes to reduce the amount sent to landfill.

The following graph shows the FCC Group's evolution of total waste generation. In 2017, the total volume of waste generated compared to 2016 increased by 12.45%. The increase is mainly due to the greater volume of non-hazardous waste generated in the construction business in Spain and Panama, driven in Spain by the increase in activity and the type of works carried out in 2017. In the case of Panama, the increase is due to the removal of surplus land and rocks from the Ciudad Hospitalaria project.

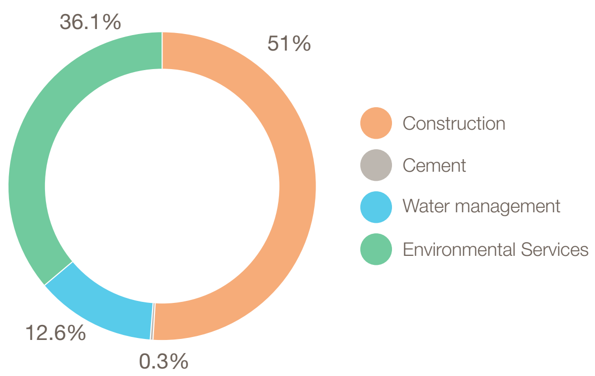
Likewise, in FCC Environment (Spain), the inclusion of a new plant in the operational perimeter has meant a significant increase in the generation of non-hazardous waste. Regarding the volume of hazardous waste generated, there was an increase in the thermal treatment plants for waste from FCC Environment UK, associated with the increase in activity.

The proportion of waste generated by FCC Group is greater in the construction business, due to construction and demolition waste.

Evolution of total waste generated (t)

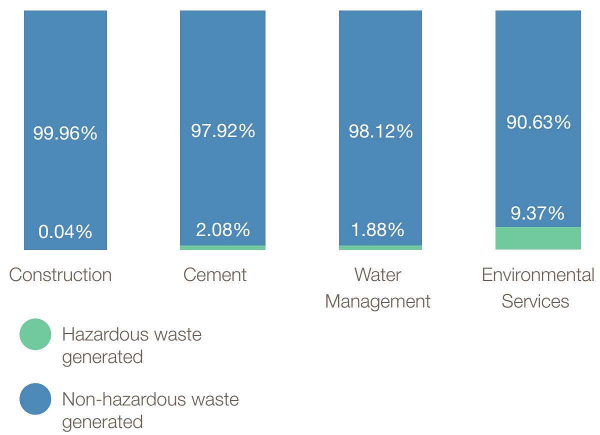


Source of waste generated (%)



The following graph shows the ratio between non-hazardous and hazardous waste from FCC's businesses. It should be noted that Cementos Portland Valderivas has reduced its generation of hazardous waste compared to the previous year due to the divestment in the USA.

Ratio between non-hazardous and hazardous waste generated



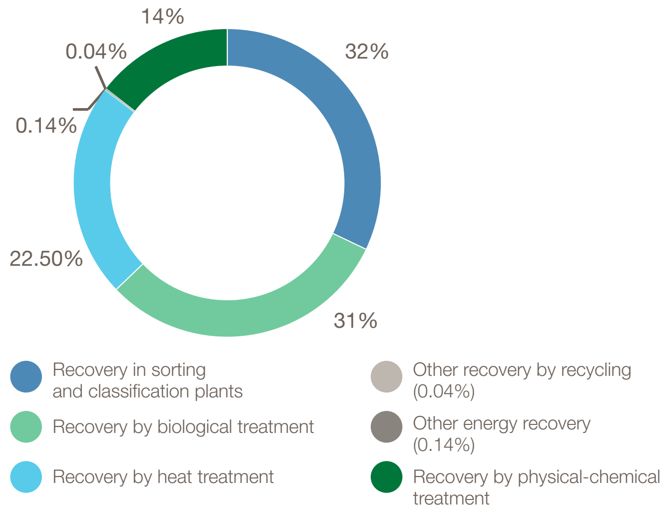
Management of waste by Environmental Services

The collection and processing of waste services carried out by Environmental Services contribute to achieving the preparation for reuse and recycling objectives in the State Plan for Waste Management (PEMAR) 2016-2022.

The company values its contribution to the circular economy, through the recovery and recycling of waste and increasing efficiency in these areas through innovation. In 2017, 3,946,486 tonnes of waste was recovered, representing 31.3% of the total processed waste.

Below breaks down the waste recovered by recovery type.

Distribution of waste treated by recovery process (%)



Protecting biodiversity

The protection of biodiversity and the conservation of natural heritage are environmental principles for FCC and present in each activity. Firstly, the raison d'être of its environmental and water management business is, in part, preserving eco-systemic wealth. And secondly, for the construction business, the protection of biodiversity and the restoration of spaces are two of its priorities as the impact on the area is one of its most significant negative effects.

FCC also establishes guidelines for action that include the physical conditioning of the environment in which it operates to accommodate indigenous biodiversity, improving the conditions of biotopes and the eradication of invasive species with high ecological impact.

In 2013, FCC subscribed to the Spanish Companies Biodiversity Initiative (IEEB), a public-private partnership project with the Biodiversity Foundation of the Ministry of Agriculture, Food and Environment, which aims to spread a vision of biodiversity as an important factor for strategic business decisions.

Within the Group, the activity that can have the greatest effect on the natural environment is the infrastructure area, namely, operating quarries and gravel pits to obtain raw materials in the Cement business. To minimise the impact of this activity, restoration plans have been established, among which are:

- **Transfer mining:** this takes advantage of earthworks generated during the extraction process to restore other areas simultaneously.
- **The benching down method:** this allows previously exploited top banks to begin to be restored.

Furthermore, Construction area carries out various measures to protect and restore ecosystems that have been altered by its activity, and on occasion making specific biodiversity plans. The company also performs other actions to protect the biodiversity of ecosystems such as the physical protection of species, transplants of plant species, the transfers of nests or animal species, the creation of wildlife refuges or, simply, the planning of the work in accordance with the life cycles of the species.

Environmental Services takes part in the Spanish Companies and Protecting Biodiversity day

In 2017, FCC Environment (Spain) took part in the Spanish Companies and Protecting Biodiversity day organised by the Spanish Companies Biodiversity Initiative (IEEB), part of the Biodiversity Foundation of the Ministry of Agriculture and Fisheries, Food and Environment. The first report of the IEEB results was presented, giving awareness to the actions carried out by these companies in the field of biodiversity between 2013 and 2015 in Spain. Public-private partnerships projects and training and business support actions were also presented, as well as research, awareness and volunteering activities.

During the event, FCC Environment (Spain) gave value to its role in the preservation of biodiversity through its care and maintenance of parks and gardens.

FCC Construcción and protecting biodiversity

During the renovation works of the Forte da Graça, in Portugal, various bat species were discovered amongst which were protected species. The decision was taken to protect these populations so that they were unaffected by the work. To do this, after sampling the individuals, they were excluded from the fortification by closing their access when they left the building at night. As progress was made in the works, the holes were reopened to allow the bats to reoccupy the building, once the works no longer presented a danger to them.

At the same time, training and awareness actions were given to the workers about the biological importance of these animals, and the steps to follow if one was detected in the works.

Further sampling was done at the end of the works to confirm the bats had returned. It thereby demonstrated that carrying out the works is compatible with conserving native fauna.

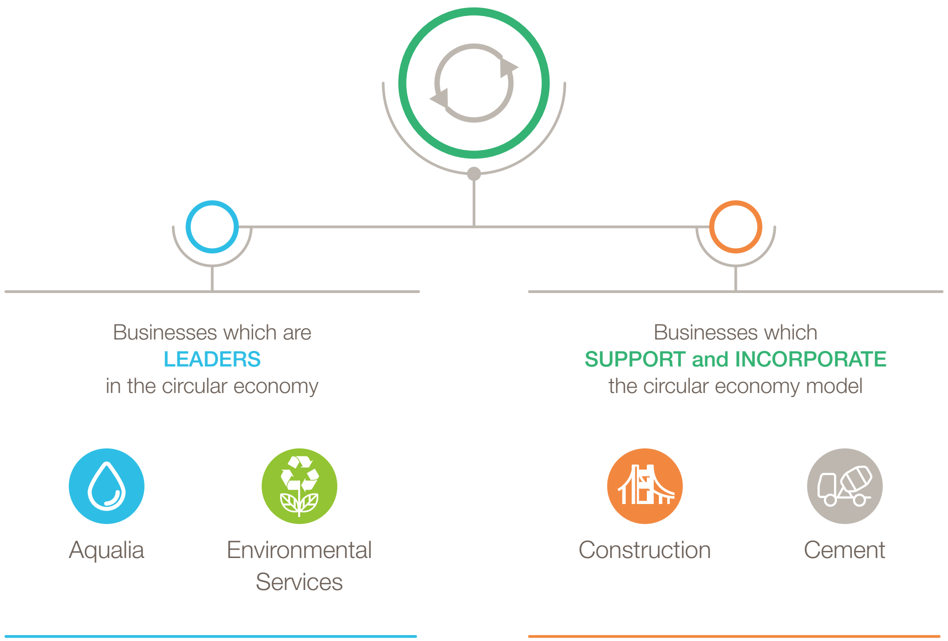
The circular economy in FCC’s businesses

The circular economy concept arises in response to a future scenario of depleted resources and a degraded environment and seeks to achieve efficient production models which lead to the sustainable development of economies. Applying the "closing the life cycle" principle of products, it is possible to contribute to the protection of resources, the reduction of environmental impacts and the fight against climate change.

The nature of FCC's activities, such as end-to-end water management or waste management, is imbued with the precepts of the circular economy as its function is to close the life cycle of the resources they manage by incorporating them into the productive process again. For example, the end-to-end water management activity aims to supply the water needs of the population with the highest efficiency, avoiding leaks or losses, and after using the resource, purify it and return it to where it was obtained in optimal conditions which do not harm the environment.

The activities of the Environmental Services business include the collection, processing, recycling and energy and material recovery of urban and industrial waste, also allowing the life cycle of the waste to be closed by transforming it into energy or raw materials to again use in the productive cycle.

On the other hand, the Construction and Cement activities support the model and incorporate the circular economy through practices developed in their businesses such as the reuse of materials in the case of Construction, or the consumption of alternative materials in the case of Cement.



Life cycle of FCC's services and commitment to the circular economy

Although the circular economy model is integrated into FCC's activities, there are still goals to achieve in aspects such as optimising resources, replacing materials with those which are more efficient, use of renewable energies or reduction of waste in the supply chain.

FCC's commitment is set out in its CSR 2020 Master Plan, in the programme titled "FCC plan for a circular economy" which includes three priority working lines:

- Carry out a gap analysis of current activities with respect to the set of circular economy measures in the European Union.
- Draught a formal declaration on FCC's role and positioning in the global circular economy model as a consumer, producer and manager.
- Formulate working lines and formalising specific objectives for the reduction, reuse and recovery of outflows.

In addition, the company will work transversally to improve internal knowledge about the circular economy, keeping professionals up-to-date with regulatory and Innovation developments and having awareness as one of the FCC's cultural transformation drivers towards a true circular economy.

FCC joins the MAPAMA Pact for a circular economy

In 2017, FCC joined the pact for a circular economy driven by MAPAMA (Ministry of Agriculture and Fisheries, Food and Environment of the Government of Spain). The aim of this initiative is to involve the country's main economic and social agents in the transition towards this new economic model through a series of commitments to which the parties involved must agree.

The Group has adhered to this agreement through its three main parents; Aqualia, Environmental Services and FCC Construcción, committing to ten actions:

1. Move forwards in the reduction of the use of non-renewable natural resources and reuse of waste.
2. Promote analysis of the life cycle of the products and the inclusion of eco-design criteria.
3. Encourage the effective application of the waste hierarchy principle.
4. Promote guidelines which increase the innovation and efficiency of production processes.
5. Promote innovative forms of sustainable consumption.
6. Promote a responsible consumption model, based on the transparency of information.

7. Facilitate and promote the creation of suitable channels to exchange information.
8. Disseminate the importance of moving from the linear economy towards a circular economy, promoting the transparency of the processes, the awakening and awareness of citizens.
9. Use indicators which allow the circular economy's degree of implementation to be known.
10. Promote the inclusion of social and environmental impact indicators.

These commitments, which have already been already formalised by FCC and its businesses, are based on the principles of the circular economy, which are translated into six business guidelines: **Regenerate, Share, Optimise, Loop, Virtualise, and Exchange.** Together, they form the ReSOLVE framework, promoted by the Ellen McArthur Foundation, which offers companies and governments a tool to move towards a circular economy.

ReSOLVE framework

R — **REGENERATE**
Use renewable energies; protect and restore the health of the ecosystems and return the biological resources recovered to the biosphere.

S — **SHARE**
Maximise the use of assets by sharing resources when possible, reusing them and designing them for durability.

O — **OPTIMISE**
Increase product performance and decrease waste production in the supply chain. Use technologies that help, such as big data.

L — **LOOP**
Keep production cycles closed by re-manufacturing and recycling.

V — **VIRTUALISE**
Directly or indirectly dematerialise the use of resources through the digitisation and virtualisation of products and services.

E — **EXCHANGE**
Replace materials with more advanced ones which incorporate these precepts into their design and apply new technologies, new products and more efficient services in their entire life cycle.

FCC's contribution to the circular economy follows the ReSOLVE framework

1. Regenerate

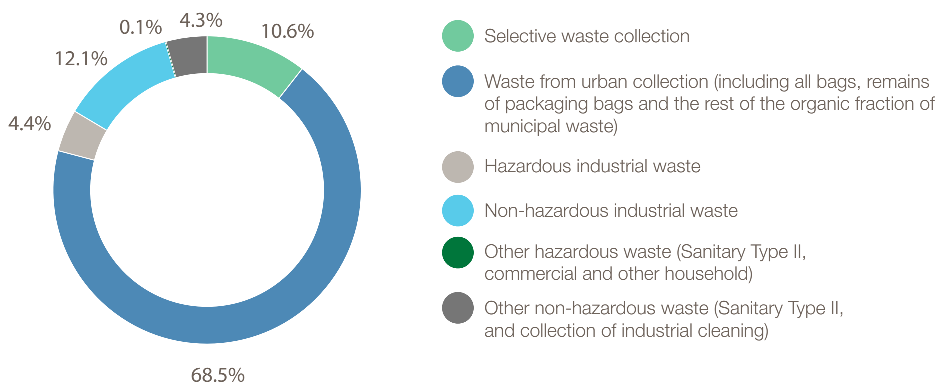
FCC's business areas see their activity as a regenerative system, applying the change to materials and renewable energies in their projects, and the recovery of the resources used to be returned to the environment, as far as possible. This definition works especially well in Aqualia, with its end-to-end water management, or to Environmental Services, with its waste management.

Environmental Services is committed to making the use of clean energy in its vehicles a priority. For example, in FCC Environment (Spain) this commitment is demonstrated in the annual increase of alternative fuels or its fleet of electric vehicles, which increased by 12% in 2017. The end-to-end management of waste had a waste collection volume of 6.3 million tonnes in 2017 which is broken down by type in the graph.

The company also maintains facilities for the processing of all types of waste. Among the different processes carried out are different types of recovery, recycling, transfer to an end manager, controlled landfill.

In addition to contributing to the transformation of the production model from its own activity, Environmental Services carries out initiatives and best practices that are aligned with the principles of the circular economy in its day-to-day running of its facilities such as those of FCC Environment (Spain) shown below.

Origin of collected waste



Waste collection in recycling centres
Establishment of good practices in waste collection.

Selective collection line
Carrying out awareness campaigns to improve the separation of waste at source and citizen participation.

Waste recovery
Promoting the recovery of materials through the expansion, automation and reorganisation of the classification lines.

Energy generation from waste
Investment in technologies which generate energy from waste management.

As is the case with Environmental Services, Aqualia's business model and activity responds especially well to the regenerative concept of the circular economy in its management of the water cycle. In this sense, Aqualia works to improve its water management efficiency so as to have a positive impact on the available water resources.

To do this, the company has implemented a platform to intelligently manage the supply network. The main objectives of this platform are to reduce water losses, increase control of the network, and optimise efficiency in operations and processes.

2. Share

FCC contributes to maximising the life of resources through their reuse and maintenance, supporting durability in all its business lines. This guideline is part of the operational efficiency promoted from the corporation.

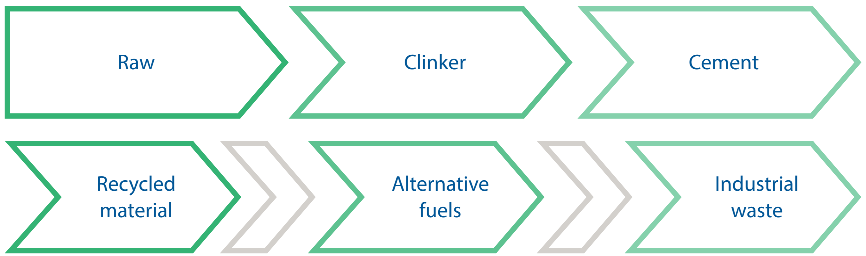
In response to this focus, the FCC Construcción division applies good practices by reusing materials and inert materials from other works for backfill, or using recycled water, whenever feasible. This way, the company establishes relationships between different works and projects to maximise the life of the materials. Additionally, this area optimises the use of its spaces by renting disused areas for the storage of materials and tools necessary in the works.

In Aqualia, the guideline is embodied in the promotion of actions such as the reuse of wastewater, for which it is developing innovative solutions to allow transforming the resulting waste into new products to be included into the production cycle. This process is carried out through new anaerobic technologies in the recovery of discharge, or the treatment of organic wastewater, which allows reuse water and biomethane to be obtained for the transport sector, among other projects.

Cementos Portland Valderrivas, as part of the cement industry, carries out waste energy and materials recovery actions as a priority option, supplementary to recycling, compared to landfill or disposal.

Some of the actions which contribute to increasing the life of materials required for its productive processes are: the consumption of raw materials such as limestone, marl, aggregates, among others, abundant in nature; the recovery and recycling of materials, in 2017, 45.9% of the waste generated by Cementos Portland Valderrivas was recycled and 49.9% recovered; as well as the promotion of materials recovery, replacing part of the clinker in the manufacture of cement with the consumption of industrial by-products.

Substitute raw materials in the Cement productive process



3. Optimise

FCC seeks to optimise its processes to increase the efficiency and the performance of the activities, in each of its business lines. This guideline also comes from the Group's strategy, which has increased operational efficiency and optimised resources in all activities.

Amongst its priorities, Aqualia lists minimising leaks through the use innovative technology which allows greater efficiency. Aqualia optimisation does not end in its operations as it also works in educating users on responsible consumption to ensure that the optimal use of the resource occurs throughout its value chain.

FCC Environment UK generates energy from waste

FCC Environment UK is aligned with the government's goal of 15% of its energy being generated from renewable sources by 2020, for which the company is determined to reduce its reliance on fossil fuels. Its objective is recycling extracting energy from the process and transform the material which cannot be recycled into waste-derived fuels.

The company currently has four Energy from Waste (EfW) facilities. Combined, these plants allow the company to process 810,000 tonnes of waste per year transforming it into green energy.

Aqualia's Life Answer project for energy saving and recycling

The ANSWER *(Advanced Nutrient Solutions With Electrochemical Recovery*) project is the demonstration of a resource recovery system from wastewater based on electrocoagulation processes and biochemical reactors.

The project is carried out jointly with Mahou and the University of Alcalá, with the implementation of a pilot plant under consideration. This project gives a new impetus to the market of innovative technological solutions in the food and beverage industry, one of the sectors with the highest water consumption.

REWASTEE, an FCC Construcción project to optimise recycling

This project, in which FCC's Construction division take part, seeks the creation of a technology recycle steel waste and manufacture innovative materials from them, specifically a unique material which provides acoustic and thermal insulation.

The use of REWASTEE will provide the buildings in which it is applied with greater energy efficiency, in addition to reducing the economic costs associated with the management of steel industry waste and the environmental impact of this.

6 CLEAN WATER AND SANITATION

4. Loop

This principle includes the processing of products in a closed cycle, so recycling and reusing them is an essential part of this guideline. FCC Construcción is particularly affected in FCC as the sector is intensive in the use of resources so its reincorporation into the cycle is the largest contribution the company can make to the circular economy model.

For FCC Construcción, decreasing the use of resources is an important challenge. The company is aware of the problems which can lead to inadequate management of them, so it moves towards an efficient consumption of the materials, focusing on their reuse. To do this, it uses materials, such as those from excavation, as backfill in the works itself, closing the cycle and preventing them from being transferred to landfill. Regarding the consumption of water, an element that, although not used in especially high amounts, it is essential in construction, the company chooses responsible consumption, giving priority to the recirculation and reuse of certain process waters used on site, as long as the levels of quality required for different activities allow it.

5. Virtualise

Virtualisation allows for the consumption of certain resources to be substituted, facilitates tasks and helps to maintain services, minimising costs and increasing efficiency. This guideline is present in all the Group's business lines, as the company is aware of the great importance which this issue entails and of its impact beyond the circular economy.

The Construction area is currently deeply committed to the development of BIM (Building Information Modelling), a technology which represents a technological revolution in the construction sector as its widespread use will impact on more efficient production, reducing the use of raw materials and generation of waste.

For its part, Aqualia has a corporate tool to achieve efficient management of water and sewerage networks, both at the operations and planning levels. The tool has been updated to perfectly adapt to the environment of managing the business' assets and has clear competitive advantages over those currently on the market, allowing it to be used regardless of the project's size.

With the aim of achieving greater energy efficiency in its fixed facilities, FCC Environment (Spain) is beginning to implement automation technologies to adapt it to specific energy needs at any given time. For example, in the fixed facilities of the contract for cleaning the municipal buildings in Bilbao, the switching on and off of all lights is controlled automatically.

LIFE4FILM, an innovative project from FCC Environment (Spain) for the recycling of plastic film

The LIFE4FILM (LIFE Environment and Resource Efficiency) project is FCC's first LIFE project as coordinator of an international consortium of entities, and addresses the industrial demonstration of an innovative mechanical plastic film recycling process, through the implementation of a 10,000 t/year line, increasing the rate of plastic film recycling by 62% and validating the applicability of industrial products accepted by the market. The process involves the optimus separation of the film, and includes the development of a new low carbon recycling technology.

6. Exchange

This guideline emphasises the importance of using alternative materials, replacing the more traditional ones. Also understood here is the use of new technologies, products and services which offer longer life cycles and improve efficiency. In this context, the businesses most involved in this guideline are Construction and Cement due to their high consumption of materials and the need to adapt them to new needs in the face of the physical risks of climate change and future scenarios of resource shortages.

In its R&D aimed at sustainable urban development, FCC Construcción contemplates the design of new products to adapt infrastructure as new needs arise.

For its part, the Cement division conducts research into new cementitious materials with special functionalities, fewer emissions and improved processes from an energy standpoint. It also investigates increasing the durability of cement, as well as improving its applications.

FCC's role in the fight against Climate Change

Climate change is one of the greatest challenges for the future balance of the planet and has created a remarkable response from authorities and governments who have been developing and implementing regulations and instruments to show their commitment to the reduction of emissions.

FCC works continuously on the implementation of best practices that focus on the fight against climate change and contributes to reducing greenhouse gas emissions as well as the achievement of Sustainable Development Goals and the targets set around them for 2030.

Since 2011, FCC has included this concern for climate change among its commitments and its management systems. After the last global milestones, such as the agreements reached at the Conference of the Parties in Paris in 2015 (COP21), and 2016 (COP22), held in Marrakech, the positioning of companies as a fundamental part of the solution is ever more certain. Therefore, in the framework of its new CSR 2020 Master Plan, the company has approved the revision of its corporate Climate Change strategy, approved in 2012, to adapt it to the new agreements and legislative developments.

FCC joins the initiative La Comunidad #PorElClima ("The Community #Por el clima")

Through its FCC Environment (Spain) and FCC Construcción divisions, FCC has joined the La Communidad #PorElClima initiative, committing to act to reduce the pollution which causes climate change. This initiative brings together people, companies, organisations and public administrations with the aim of following the guidelines set out in the Paris Agreement.

The initiative is being promoted by the Spanish Climate Change Office, the Biodiversity Foundation, the Spanish Group for Green Growth, the Global Compact, the Red Cross, WWF, SEA Birdlife and Ecodes.

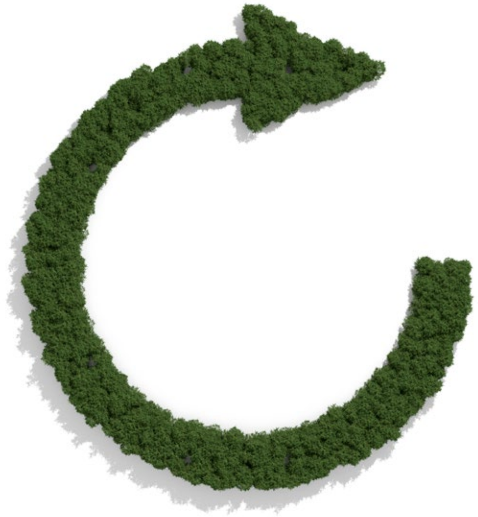
In this context in which the development of regulations, requirements and standards increases, the European Union developed the strategy for adapting to climate change, which includes measures to be integrated into national plans such as efficiency in water use and adaptation of the construction sector, areas that undeniably have strategic importance for FCC businesses. This EU mitigation strategy seeks to contribute to the global goal of halting the increase in greenhouse gas emissions (GHG) before 2020 and reducing them to 60% of the 2010 figure before 2050. In addition, at the G-20 summit in 2017, the recommendations report of the Climate Stability Board of the Financial Stability Board[1] (TFCD) was presented, which provides a framework to help companies understand the risks related to climate change, and to quantify them in order to respond to them.

FCC Group takes the work of this group into account and structures its progress in managing the risks associated with climate change around the four main blocks: "Governance", "Strategy", "Risk management" and "Metrics and Objectives".

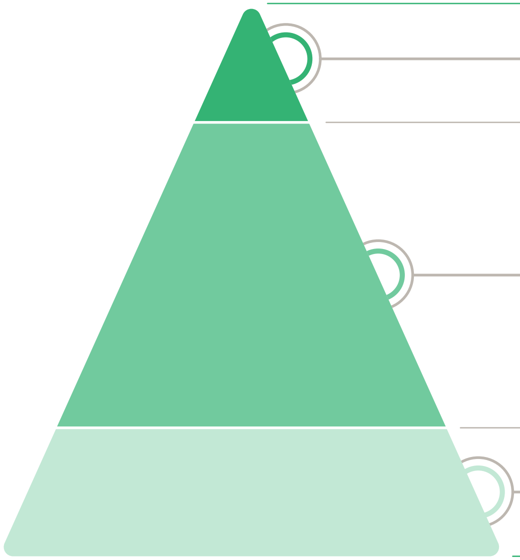
[1] Task Force on Climate Related Financial Disclosures (TFCD). Financial Stability Board.

Governance and strategy

FCC Group is aware that integrating climate change management at all operational levels is fundamental to be able to face its consequences, and also to take advantage of opportunities to develop solutions to mitigate its effects. The commitment to integrate climate change management into the Group was proven with the approval of the company's Climate Change Strategy in 2012. FCC's Climate Change Committee, made up of representatives of all the Group's business areas, is responsible for coordinating and ensuring the implementation of the Climate Change Strategy.

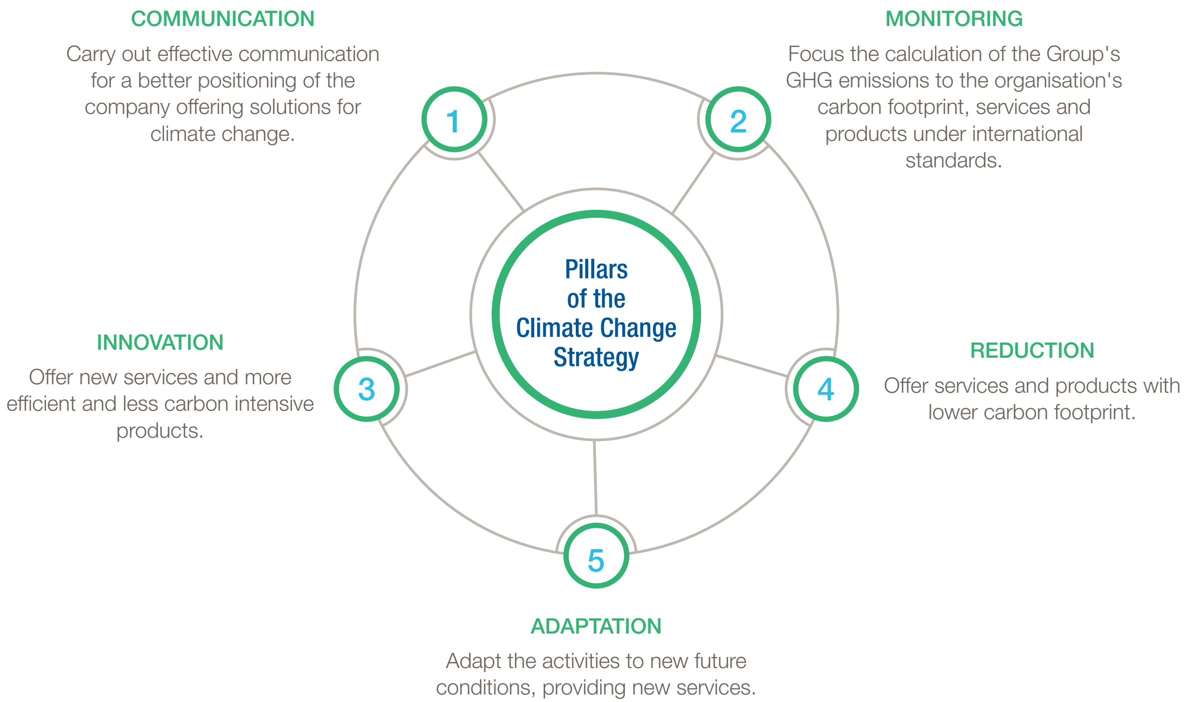


Responsibility for FCC Group's Climate Change Strategy



	FUNCTIONS
Executive Committee	• Approval and monitoring of the Climate Change Strategy.
Climate Change Committee	• Monitoring of FCC's GHG emissions inventory. • Analysis of risks and new opportunities in the face of climate change. • Positioning of the company in the adaptation to and mitigation of climate change. • Preparation of responses to external requests from stakeholders. • Main prescriber within the Group for aspects related to climate change.
Business lines	• Adaptation of the Group's Climate Change Strategy to each sector.

FCC's Climate Change Strategy stands on five pillars, established to mitigate the associated risks whilst taking advantage of identified business opportunities.



Risk management

As sources such as the *Global Risks Report*[1] point out, adaptation to climate change is a significant issue for companies and governments given that failure to mitigate and adapt entails a series of physical, financial and regulatory risks. The impacts of climate change can influence, either directly or indirectly, the viability of the activities of companies, the value of their assets, or their operating costs.

For example, a higher incidence of extreme weather events as a result of climate change can lead to potential damage to infrastructure, especially affecting the construction, cement and water sectors.

As a potential leading company in adaptability to climate change, FCC has different risk management projects for each business which identify and manage the risk, evaluate its impact on the activity, and associated challenges, and establish potential opportunities as a consequence of said adaptability.

(1) Global Risks, World Economic Forum http://www3.weforum.org/docs/WEF_GRR18_Report.pdf

Changes in the availability of water.	Increases in the costs of facilities.	Risks associated to the integrity of assets.
Adaptation to new stricter regulatory frameworks.	Maintaining maximum efficiency in the distribution, supply and consumption of water.	Response to increases in demand in the face of shortages.
Development of new products, services and R&D projects.	Collaboration with the Administration and other consumer sectors to integrate climate change issues in the development of the sector.	Financing international projects in vulnerable countries.

Increase in the costs of production, operation and maintenance.	Restriction in the availability of resources.	Risks associated to the integrity of assets.	Incorporation of climate criteria in the regulation of the sector.
Ensure the economic viability in the face of increased costs.	Incorporating climate criteria into the activity of the companies.	More situations of reputational or legal harm.	Adapting to a new regulatory framework of greater environmental pressure.
Opening of new markets, the need for short-term adaptation mechanisms.	Development of more sustainable new products/services.	Financing international projects in vulnerable countries.	Collaboration with the Administration to integrate climate change issues in the development of the sector.

IMPACTS, CHALLENGES AND OPPORTUNITIES associated with Climate Change

Risk in the availability of water resources.	Stricter regulation in the use of resources.	Risk associated with the vulnerability of the urban plant heritage.	Faults in the operation and maintenance of the equipment and risk in the integrity of the infrastructure.
Reduce water consumption.	Reduce health risks to personnel.	Protect urban biodiversity and enhance eco-systems services.	Manage faults in operational processes.
Renovation of infrastructure as a means to manage extreme post-event situations.	Projects to improve the waste management infrastructure in developing countries.	Financing international projects in vulnerable countries.	

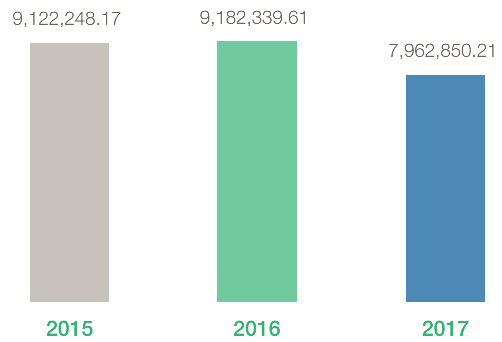
Increases in the costs of production, operation and maintenance.	Environmental penalties.	Restriction of activity according to climatic criteria in the regulation of the sector.	Legal or reputational risks.
More situations of reputational or legal harm.	Incorporate climate criteria in the activity of companies, such as the reduction of emissions in the grinding and firing process.		Ensure the economic viability in the face of increased costs.
Research the use of new raw materials that reduce the emission ratio due to the chemical reaction in decarbonation.	Take advantage of biomass as a fuel.	Regeneration and recovery of hazardous wastes.	Collaboration with the Administration to integrate climate change issues in the development of the sector.

Metrics and Objectives

Reduction of GHG emissions as a priority objective

In its Climate Change Strategy, FCC sets out quantitative targets for the reduction of emissions in each one of the company's lines of business and has performed periodic measurement and monitoring of greenhouse gas emissions (GHG) since 2010.

Direct and indirect GHG emissions of FCC Group (scopes 1 and 2) (t CO_2 eq/año)



Scope 1: Direct emissions generated at sources owned by the company or under their management.

Scope 2: Emissions from the generation of electricity consumed by the company.

Note: The GHG emissions for 2015 and 2016 have been recalculated by improving the CO_2 equivalent calculation methodology, based on IPCC guidelines and the emission factors of the IEA (International Energy Agency) and DEFRA (Department for Environment Food & Rural Affairs) in the UK.

In regard to the Group's reduction objectives and as part of the Climate Change Strategy review process, approved in the CSR 2020 Master Plan, the objectives of reduced emissions, efficiency and energy recovery, and use of renewable energies, among others, will be adjusted and redefined for the Group and for the businesses.

During 2017, direct emissions of greenhouse gases decreased compared to the previous year, due to the deconsolidation of Cementos Portland Valderrivas in the USA which, in 2016, contributed 1,397,757 tonnes of equivalent CO_2.

Regarding indirect emissions of scope 3, the company works every year as part of its Climate Change Strategy objectives to quantify them in all its businesses, in order to establish specific action plans for their reduction. Despite some areas calculating these scope 3 emissions, work is being done to standardise the calculation criteria throughout the entire Group.

FCC energy consumption

In 2017, the Group's energy consumption reduced by 9.4%, reaching 44,383,199 GJ, broken down as 86%, direct consumption and the remaining 14% indirect. This decrease is due to the deconsolidation of Cementos Portland Valderrivas in the USA.

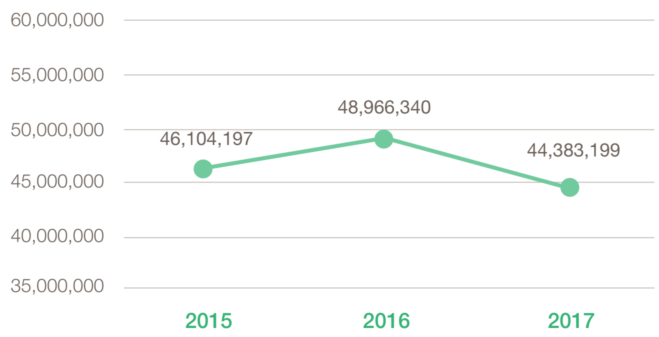
FCC is making progress in the implementation and certification of the Energy Management System in accordance with the UNE-EN ISO 50001: 2011 standard. This certification guarantees the continuous and systematic improvement of the company's performance in terms of efficiency and contributes both to the reduction of GHG emissions and to costs efficiencies.

For its corporate facilities, FCC counts on the Energy Efficiency Technical Guide which significantly improves efficiency, favours energy saving and promotes the reduction of emissions.

In 2017, the consumption of renewable fuels in the Group increased by 8.2% compared to 2016, mainly due to the increase in biomass consumed in the clinker kilns of the Cement division in Spain, and the increase in tonnes of incinerated waste (biomass fraction) in FCC Environment UK's four energy recovery facilities.

The consumption of fossil fuels fell by 17.9% due to the deconsolidation of Cement activity in the USA.

Total consumption of energy (GJ)



Note: The direct energy consumption of 2015 and 2016 has been recalculated as it has been possible to obtain the energy consumption from the waste recovery facilities of FCC Environment UK and FCC Environment CEE.

Direct consumption of renewable energy (GJ)

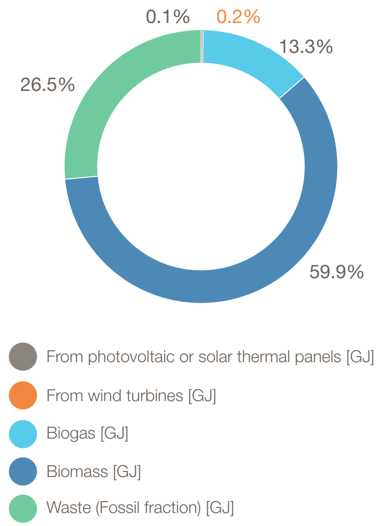
Fuels	Environmental Services	Water	Construction	Cementos Portland Valderrivas	Total
Bioethanol	1,369.3	–	–	–	1,369.3
Biodiesel	103,084.3	–	–	–	103,084.3
Biomass	47,554.9	–	–	1,194,880.0	1,242,434.9
Waste (biomass fraction)	8,850,592.0	–	–	–	8,850,592.0
Biogas burned in boilers without electricity generation	2,984.9	97,821.2	–	–	100,806.1
Biogas burned in motors or turbines with electricity generation	255,942.2	194,524.3	–	–	450,466.5

Direct consumption of non renewable energy (GJ)

Fuels	Environmental Services	Water	Construction	Cementos Portland Valderrivas	Total
Natural gas	614,430.1	26,019.0	761.8	–	641,211.0
Petrol	126,189.9	1,017.0	13,748.2	–	140,955.1
Diesel	2,649,513.8	202,191.3	1,623,572.7	83,947.9	4,559,225.7
Fuel oil	5,441.3	–	120,052.0	–	125,493.3
Carbon	–	2,243.0	–	–	2,243.0
Propane and butane	1,829.6	–	50.5	3,178.0	5,058.1
Waste (fossil fraction)	3,976,352.9	–	–	–	3,976,352.9
Conventional fossil fuels in clinker kilns	–	–	–	16,713,886.0	16,713,886.0
Alternative fossil fuels in clinker kilns	–	–	–	1,194,863.0	1,194,863.0

As a result of its activities, FCC additionally generates electricity through the energy recovery of waste or biogas from landfills and water management complexes. It also generates electricity from photovoltaic panels and wind turbines. This generated electrical energy can be self-consumed or sold to the network. Below is the breakdown of electrical energy consumed which was self-produced. The activities in which self-produced electricity is consumed in FCC Group are; FCC Environment (Spain), FCC Environment UK, FCC Environment (CEE) and Aqualia.

Consumption of electrical energy from self-production



Environmental Services' fight against climate change

The division's priority objective is to reduce the emissions derived from energy consumption, for which significant actions it includes: recovering biodegradable materials which are currently disposed of in landfill, and carrying out the degassing of the cells which directly emit biogas into the atmosphere without being caught when the suitable conditions for it are reached.

Since 2011, FCC Environment (Spain) has calculated its carbon footprint and it monitors its evolution year after year. The measurement of the carbon footprint allows it to identify the sources of GHG emissions on which it must act to reduce.

Likewise, and for the fourth consecutive year, in 2017 FCC Environment (Spain) recorded the calculation of the organisation's carbon footprint in the Register at the Spanish Climate Change Office (OECC for its acronym in Spanish) within the Ministry of Agriculture and Fisheries, Food and the Environment, and has submitted the process to external verification by an independent third party based on the GHG Protocol.

During 2017, the emissions produced by the energy consumption of its fleet of vehicles was one of its main sources of emissions. Therefore, in the next reduction plan, the division will focus on implementing projects and focused initiatives to reduce these emissions.

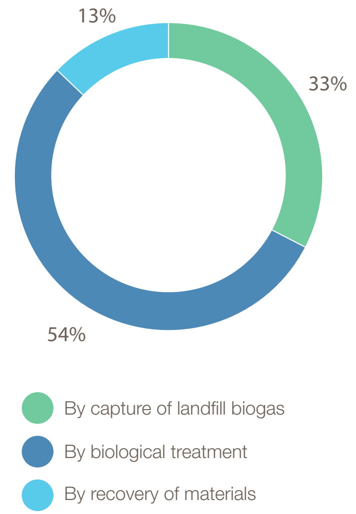
Emissions avoided by generating secondary raw materials, capture of biogas and production of energy

7 AFFORDABLE AND CLEAN ENERGY

FCC develops innovative solutions in the waste treatment and recovery plants of its Environmental Services division with the aim of reducing GHG emissions, generating energy and reducing electricity consumption. One of the lines of action in this sense is to generate energy from the biogas coming from waste, and maximise the performance of electric co-generation, taking full advantage of this gas's energy potential which is generated during the treatment processes of urban waste.

In this sense, in 2017, FCC Environment (Spain) avoided emitting 674,236 tCO_2e split between landfill biogas collection, biological treatment and recovery of secondary raw materials in its different facilities which are distributed as follows:

Emissions avoided in recovery processes and waste disposal



FCC Environment (Spain) has its Energy Management System certified in the 17 offices in Spain in accordance with UNE-EN ISO 50001:2011. This system allows the company to understand how energy is being consumed in the provision of services and to implement efficiency measures, such as:

- Use of high-energy efficiency vehicles, hybrid vehicles or 100% electric vehicles, or vehicles that use alternative fuels (natural gas). These eco-friendly vehicles now total 1,705 units.
- Use of renewable energy on-site.
- Eco-efficient driving training for workers.
- Replacement of energy-consuming equipment for other more efficient equipment such as lighting, electric motors, etc.
- Route optimisation systems.

These measures help to strengthen the positioning of FCC in relation to its commitment to the environment and the optimisation of costs, aspects which, undoubtedly, improve the competitiveness of the company in tenders and bids.

Innovation to reduce emission in the processing of waste in water management complexes

Within the LIFE METHAmorphosis project (LIFE 14 */Climate Change Mitigation*/ES/000865) project, Aqualia has finished the electromechanisation completion of the UMBRELLA prototype in the Ecoparc2 in Barcelona, with whose anaerobic treatment of leachates it seeks to reduce energy consumption by 70% and CO_2 emissions by 80% compared to the conventional process, with additional biogas production.

This case has earned METHAmorphosis a mention in the report *"Two years after Paris. Progress towards meeting the EU's climate commitments"* as an example of the five policies related to climate change in the EU.

Reduzco seal from the Spanish Climate Change Office (OECC)

FCC Environment (Spain), in fulfilling its commitments to reduce GHG emissions, has been awarded the Reduzco seal by the Spanish Climate Change Office (OECC) as part of the carbon footprint registration process, offsets and CO_2 absorption projects established by MAPAMA. This accreditation joins the previous Calculo seal which, since 2013, has endorsed the registration of FCC Environment (Spain) in the aforementioned process and which has been held since then. The reduction of 9.6% for scopes 1 and 2 achieved during from 2013-2016, according to the calculation protocol established by the OECC, translates into the measures taken voluntarily to reduce, firstly, the diffuse emissions of GHG from urban solid waste landfills and similar.

Environmental Services works to improve its energy efficiency: the case of Serra do Barbanza

FCC Environment (Spain) has significantly improved energy efficiency in its waste management activity in the Serra do Barbanza association of municipalities in Galicia thanks to the modification of a biomass boiler in the environmental complex.

Specifically, measures have been implemented in the control system to optimise combustion, lower the temperature of the exhaust gases in the chimney, reduce the number of times the grouped motors are started, and increase the transfer of the recirculation water's heat to the evaporator.

Thanks to these improvements, the average number of starts per day has been reduced by 50%, reducing electrical consumption by 40%, the consumption ratio per cubic metre of leachate treated by 35%, and the consumption of pellets by 24%

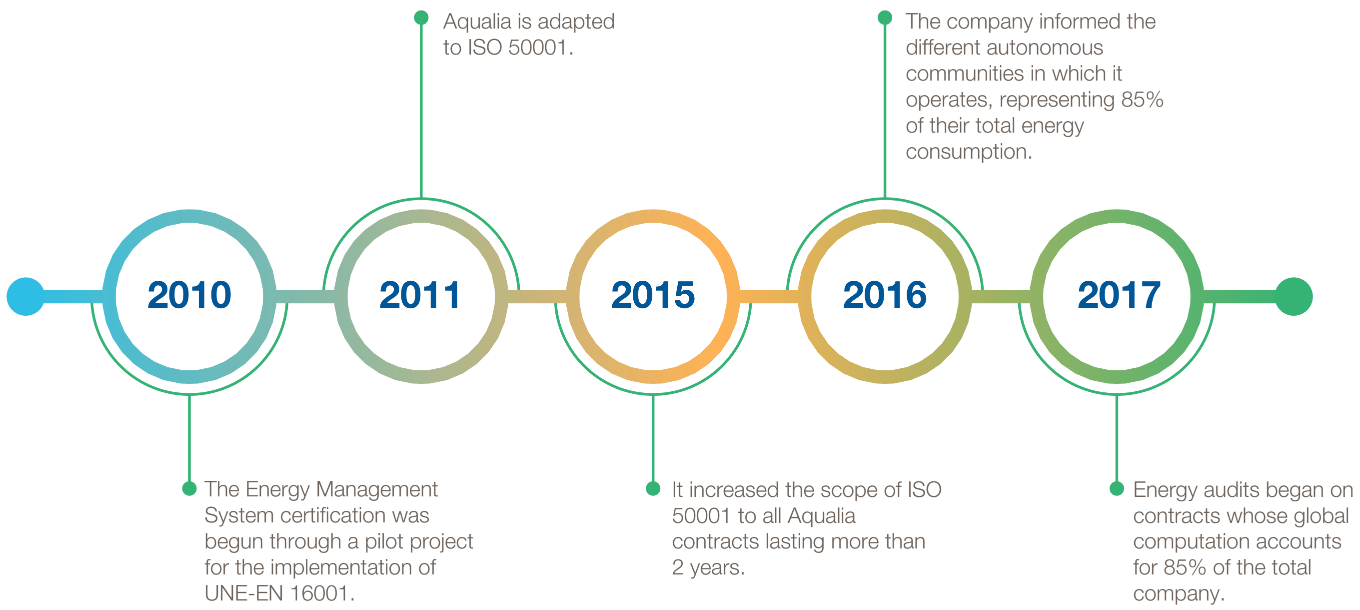
Aqualia's fight against climate change

Aqualia's direct contribution to climate change is mainly due to energy consumption; the division therefore focuses its efforts on including improvements to processes and the efficient management of resources.

Aqualia continued expanding the scope of its energy management system in accordance with the UNE ISO 5000 standard during 2017, achieving certification throughout the organisation and complying with Royal Decree 56/2016 on energy efficiency. Historically, Aqualia's energy management has been considered key and has been carried out from the productive and economic point of view, linking the management to the control of production, maintenance and compliance with ISO 9001. The benefits of the implementation and certification of the Energy Management System not only refer to greater efficiency, but also have environmental benefits such as the significant reduction of the carbon footprint, given that the indirect emissions resulting from energy consumption account for 56% of it. Additionally, Aqualia measures and calculates the carbon footprint of its operations.

During 2017, Aqualia launched new computer software for the control of electricity billing, to allow different levels of the organisation the adjustment in contracting electricity, control in the consumption and the analysis of offers. Likewise, the company is implementing different tools which allow the statistical monitoring of the operational periods, to allow users to adjust their production needs to the cheapest cost periods.

Evolution of energy certification in Aqualia



FCC Construcción's fight against climate change

The Construction area has verified its GHG emissions since 2011. Since 2012, it has certified its carbon footprint through the AENOR "Verified CO_2 Environment" seal and has entered it in the carbon footprint, offsets and absorption projects register of the Ministry of Agriculture and Fisheries, Food and Environment. In addition, it calculates its GHG emissions with a centralised approach, collecting data from works and permanent centres and integrating them at a corporate level.

In its commitment to the Paris agreements at COP21, it applies its strategy through five main lines:

- Identifying risks and opportunities, assuming the potential impacts which climate change could have on your value chain, and defining mitigation and adaptation measures in line with the preparation and verification of inventory reports on annual emissions according to the GHG Protocol, ISO 14064 and the industry protocol ENCORD.
- Address emissions reduction and reporting emissions, as well as calculating the carbon footprint and recording it in public registries (CDP Climate Change Program, MAPAMA's Carbon Footprint Registry).
- Implement good environmental practices in order to avoid greenhouse gas emissions, with the annual target of reducing these emissions by 5%.
- Develop and communicate a clear company position on climate change, such as the preparation of sustainability reports with specific mitigation and adaptation strategies for climate change; training employees on waste management and energy efficiency to minimise their impact on the environment; seeking innovation in materials, technologies and construction methods which are kinder to the environment.
- Include the perspective of risk regarding the integrity of the company's products or projects on climate impacts, ensuring economic viability in face of increased costs due to the climate impacts and encouraging innovation projects which mitigate the effects of climate change or promote adaptation to them.

Cementos Portland Valderrivas' fight against climate change

Decarbonation of limestone and the combustion in the fossil fuel furnace are the processes which emit CO_2 in the cement industry. Taking into account the nature of its business, the mitigation of emissions through the substitution of natural raw materials for other decarbonised ones, and the substitution of fossil fuels for alternative fuels, are key actions in terms of climate change for Cementos Portland Valderrivas.

The objectives of Cement Portland Valderrivas to mitigate climate change are aimed at a gradual approach to the European benchmark value of CO_2 emission per tonne of clinker (766 kg of CO_2/tonne of clinker) known as the CO_2 emission factor (a value calculated based on 10% of the most efficient cement production factories in Europe).

In this FCC division, direct emissions of CO_2 in 2017 reached 4,206,842 tonnes, meaning an decrease of 26% compared with the previous year due to the divestment of the US company.

FCC's socially responsible investment

For FCC, innovation is the element which makes the difference and allows the offer of efficient solutions to its customers (mainly public administrations) and users of services (citizens and society, in general) which respond to new challenges, contributing to social progress sustainably.

Technological advances, FCC's extensive experience, local focus and innovation are key aspects in the final quality of the services offered by the company and form the basis for finding solutions to the new needs of the future.

In FCC, the R&D essentially falls on the shoulders of each of Group business, who remain attentive to the trends and challenges of their activity, and are aware of the expectations and needs of their customers and society in general and they define the lines of innovation and select the most advantageous projects. Some of the most significant lines of innovation within the Group are: the transition to a low carbon economy, efficiency in products and services or the promotion of the circular economy model, among others.

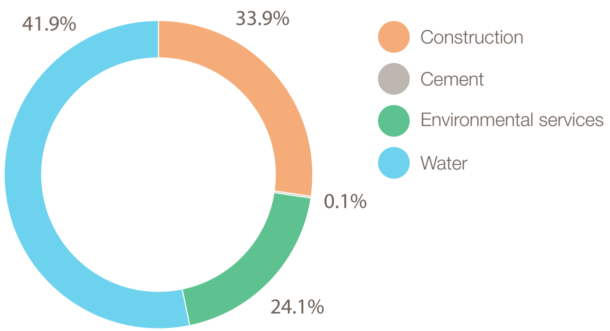
FCC's R&D projects can be grouped into four large areas, within which each business focuses its projects on the specific needs of its sector:

- **Sustainability**, which includes projects to increase the sustainability of processes and which have a positive impact on the environment as well as the consumption of resources.
- **Efficiency**, which includes projects aimed at increasing the efficiency of processes, reducing energy consumption, or minimising losses or leaks.
- **Quality**, which incorporates projects whose purpose is to improve the products and services offered by the company.
- **Intelligent management**, which encompasses those projects related to digitisation, the automation of management, and the handling of large volumes of data for decision making.

Investment in R+D+i

€9.79m

Investment in R+D+i



Innovation in the area of Environmental Services

The Environmental Services area focuses on offering its clients a management model based on new means of interaction between manager, citizen and customer through the continuous search for solutions and innovative alternatives applicable to their services.

For this reason, in 2016 FCC Environment (Spain) began with the implementation of an R&D Management System, obtaining certification in accordance with UNE 166.002 in the technological or knowledge areas related to vehicles and mobile machinery, and waste treatment and disposal. Subsequently, in 2017, its scope was extended to Information Systems and Technologies, and Coordination and Development.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Fleet of electric vehicle - Zero Emissions

The sewer maintenance contract of Barcelona has been a commitment with a long-term vision by FCC Environment (Spain). This service has been the first to have 100% of its vehicle fleet fully electric (56 vehicles). In addition, it has launched the first large-tonnage fully electric vehicle.

This initiative responds to the growing demand to find solutions not only to climate change, but also to other problems from vehicle emissions, such as pollution in cities.

Thanks to this action, emissions of almost 5,000 tCO_2eq have been avoided in the city of Barcelona.

Investment in R+D+i Environmental services

€2.36m

Technological innovation in electric vehicles for industrial vehicles

Reduction of emissions and noise in the fleet to the same level as thermal engine vehicles.

Efficient management and smart urban services

IT monitoring systems for the eco-efficient management of the services provided.

Optimisation of urban waste biological treatment processes

Introduction of technological improvements to enhance the productive and energy performance of the recovery processes of the FORM.

ARSI project - development of drones

Within the framework of the European project Echord++ (European Coordination Hub for Open Robotics Development), FCC Environment (Spain), together with other companies, participates in the ARSI consortium (Aerial Robot for Sewer Inspection), which develops an innovative automatic micro air vehicle, equipped with multiple sensors, which will streamline, facilitate and improve the tasks of inspecting the sewers in Barcelona. The implementation of this technological solution will provide safety to the work while reducing costs.

The project is currently in the advanced prototype stage. In 2017, during the *Future Industry* congress, the Technology Centre of Catalonia, Eurecat, awarded the "Significant Project" prize to the ARSI project.

Innovation at FCC Environment UK

The Environmental Services division in the UK, FCC Environment UK, directs its R&D investments towards reducing the impact of energy consumption and emissions in its fleet and facilities, investing in electric vehicles, energy efficiency programmes, and the production of renewable fuels. The company is one of the most advanced worldwide in terms of an environmentally friendly vehicle fleet. Other key programmes focus on optimising routes, the use of renewable energy sources for self-consumption and replacing high energy-consumption equipment in the facilities.

The use of sensory equipment and IT in FCC Environment (Spain)

Improved efficiency in street cleaning and urban solid waste collection (USW) services provided by the mixed company SERMUNEGISA in the city of Girona is based on recently implemented sensory technologies and interconnected IT tools which reliably and quickly record and analyse relevant information about the execution of the services and, at the same time, offer interactive communications with customers and citizens.

The management, and the on-line or deferred follow-up on the performance of the services provided compared to the daily plan allow opportunities for structural and functional improvement to be detected. Likewise, they allow incidents detected by our own operators or reported by customers and citizens to be resolved more quickly. The design of the system has been implemented from FCC's VISION digital platform which has tools to monitor, control, manage and evaluate the efficiency of the planned services, as well as means of citizen communication.

The integrated system implemented gives direct access to public technicians as well as citizens to consult information. Its understanding is facilitated due to an improved graphic visualisation of the location and the operations carried out daily in the streets of Girona where services are provided to maintain a sustainable urban environment.

Innovation in end-to-end water management

6 CLEAN WATER AND SANITATION
17 PARTNERSHIPS FOR THE GOALS

Innovation in Aqualia is part of the culture of the employees themselves as they are also involved in identifying opportunities and areas for improvement, and up to innovation and execution of their own projects.

In addition, there is innovation area which centralises all information, develops projects and collaborates with different associations, universities and research centres to develop innovative projects.

The areas of research in which Aqualia focuses are those which allow the business to improve its strengths, such as quality in its broad sense, both in terms of service and water; intelligent management, closely related to the latest IT and Big Data developments; process sustainability and eco-efficiency.

Investment in R+D+i
Aqualia

€4.1m

Quality

Reduction of emissions and noise in the fleet to the same level as thermal engine vehicles.

Intelligent Management

Use IT for services in the end-to-end water cycle. Include energy efficient processes, continuous monitoring and the detection and prediction of events to support decision making.

Sustainability

Develop economically and environmentally sustainable processes. Convert waste to value added projects and reduce energy consumption.

Eco-efficiency

Develop and implement ecologically and economically efficient operations which reduce the consumption of resources. Increases efficiency in the water cycle and gives added value to the product.

Aqualia has a system certified by AENOR in accordance with the requirements of R&D management standard UNE 166002:2006 that allows the control of the resources and the continuous monitoring of the results obtained.

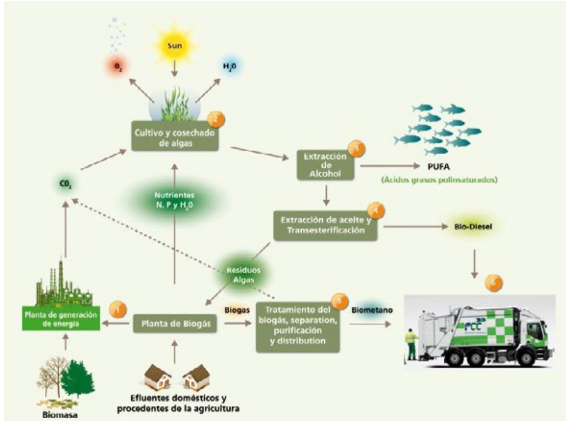
Some facts from 2017 stand out such as obtaining the European patent on the production of biomethane from the leachate of urban waste (EP 15382087.3 - washing of biogas and the removal of H_2S and CO_2) and the corresponding ABAD (Absorption-Adsorption Bioenergy) brand.

H2020 Mides Project

This project has developed a unique and innovative system for obtaining drinking water through advanced desalination processes without energy cost. The project was successfully completed in 2017, and was subsidised by the EU's Eco-Innovation programme.

The desalination system is powered with the energy coming from the purification of wastewater by means of an equally innovative technology: the microbial fuel cell.

Validation of the process will be carried out under real operating conditions, for which it will be necessary to develop advanced analysis, simulation, automation and control systems.



FP All-gas Project – Wastewater treatment and energy production

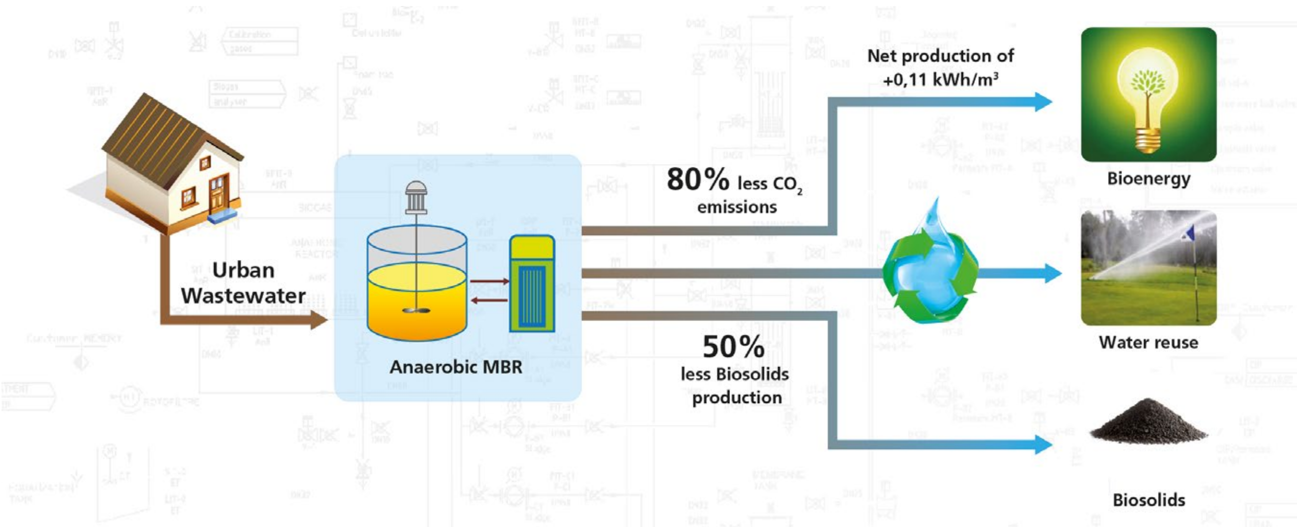
In its initial phase, this project showed that only one hectare is needed for the treatment of 1,000 m^3/d of wastewater, producing fuel for about ten vehicles. Currently, the project aims to demonstrate that this production of biofuels is sustainable on a large scale based on a low-cost microalgae culture. The complete production chain will be carried out in a cultivation area of up to 10 ha, with the aim of converting wastewater treatment into an energy producer.

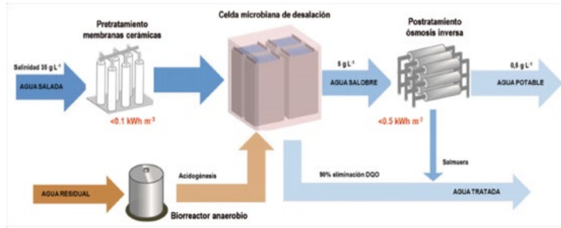
After an initial phase of two years, followed by one year prototype operation phase, this project is currently in its final phase. It is intended to operate four biomethane vehicles for at least 30,000 km.

LIFE Memory project

An innovative Sumberged Anaerobic Membrane Bioreactor, known as SAnMBR, has been launched to treat urban wastewater in a more environmentally friendly manner as its technology is based on the synergy between anaerobic treatment and membrane ultra-filtration, producing energy from the transformation of organic matter and avoiding the generation of CO_2.

Simultaneously, the process effectively disinfects the treated water while retaining 100% of the microorganisms inside the anaerobic reactor.





H2020 RUN4LIFE Project

Led by Aqualia, this project has several partners from different countries, with the objective of implementing, new ways of recovering nutrients from a decentralised treatment of grey and black water in four locations (Holland, Belgium, Sweden and Spain).

In addition, new ways of recovering the water and energy nexus will be developed in parallel, and controlling decentralised management systems.

Innovation in the Construction area

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

The innovative activity at FCC Construcción follows a policy of active promotion amongst the professionals which promotes the continuous development of technology and the encourages its application to new infrastructure projects, trying to ensure that the company is a benchmark in its sector. FCC's construction division is involved in various R&D initiatives and innovation programmes of national and international scope.

The development and use of innovative technologies to perform the works represent an important contribution of added value and is a differentiating factor in the current highly competitive and internationalised market. The priority lines of R&D are the following:

- Energy efficiency in buildings
- Railway Infrastructure
- Maritime works
- BIM- Building Information Modelling
- Sustainable construction

Investment in R+D+i

Construction

€3.32m

The company has revalidated the R&D Management System certificate pursuant to UNE 166002.2014 issued by AENOR. It also has an active presence in different R&D organisations such as the following:

– **Spanish Construction Technology Platform (PTEC)** It takes part in the Board of Trustees of the PTEC Foundation, the Permanent Committee and its working groups and subgroups.

– **European Construction Technology Platform (ECTP).** It takes part in the General Assembly, the Working Group for the transformation of the ECTP and the reFINE initiative (Research for future Infrastructure Networks in Europe).

– **ENCORD Network:** It actively participates in the Council and the working groups on Environment and Health and Safety, coordinated with the Quality Management and CSR, and other organisations within the company.

– **SEOPAN R&D Commission** FCC Construcción is a founder of the SEOPAN R&D Committee and has been a member since 2012.

– **CEOE:** FCC Construcción participates in the R&D Committee, the Internationalisation Committee and the Digital Society Committee.

– **AENOR:** FCC Construcción participates in the AENOR Forum of Standards for Connected Industry 4.0. It is an initiative to respond to the strategic area 4.2. Regulatory framework and standardisation of the Connected Industry initiative 4.0. of the Ministry of Industry, Energy and Tourism.

– **Adif Railway Technology Centre:** Construction has an active presence at the Adif Railway Technology Centre, located in the Andalusia Technological Park in Malaga.

– **BIM Committee:** The committee participates in the BIM committee's working groups coordinated by the Ministry of Development.

Building Information Modelling (BIM) in FCC Construcción

BIM is a collaborative work methodology which enables a building or infrastructure to be constructed virtually through three-dimensional modelling. Implementation of BIM is key to complying with FCC Construcción's strategic objectives in relation to developing its internationalisation strategy, as it is a requirement in most target markets. In addition, FCC Construcción is a partner of the *BuildingSMART Spanish Chapter*, and also a collaborating company of the es.BIM platform of the Ministry of Public Works.

In R&D, this methodology is also established as a priority line, supporting the strategy to achieve improvements in the company's productivity through the automation of the management and control processes of projects and works.

Two project initiatives related to BIM in the sphere of Safety and Environment are currently being prepared.

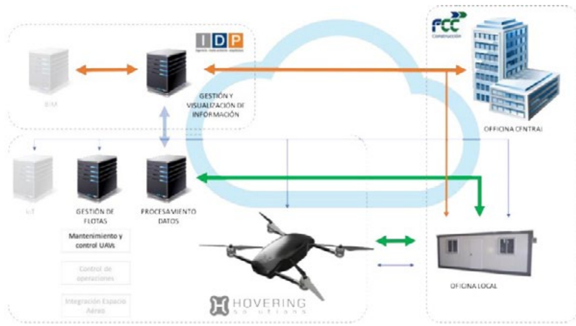
BIMCHECK – BIM + Blockchain Project

The project, which is included in the those belonging to the development of the BIM methodology, combines BIM and Blockchain technologies for secure and automated management of FCC Construcción's quality processes, an experience which makes FCC's Construction division a global pioneer construction company bringing a combination of them on site.

The implementation of the aforementioned New Technologies will enable the technological improvement of current processes, in order to minimise work and increase quality on site. This project aims to increase the efficiency and safety of the quality management process through its optimisation, automation and digitisation.

BUILSMART Project

The aim of the *Energy Efficient Solutions Ready* for the Market project is to demonstrate that it is possible to construct buildings with very low energy consumption in an innovative and profitable way. The project includes the design, construction and monitoring of new residential and non-residential buildings in Sweden, Ireland and Spain.



PWRDRON Project

The objective of the project is the development of system to centrally automate monitoring of infrastructure execution in linear civil works (motorways, highways, roads, railways, railway lines and stations, large volume earthworks, stability of slopes and channelling networks) based on drones with advanced technological features, specifically developed within the framework of the project, as well as a new technological platform for the exchange, processing and distribution of data.

Within the objectives of the project is the application of BIM methodology to allow obtaining three-dimensional models by integrating the data obtained on site.

Innovation in the Cement area

Innovation in Cementos Portland Valderrivas focuses on collaboration with third parties, and aims to develop new products aligned with sustainability and respect for the environment.

Likewise, it is committed to researching new technologies and products that ensure sustainable urban development.

R&D in Cementos Portland Valderrivas focuses on the following objectives:

– Lead the cement manufacturing industry.

– Deal with the mitigation of climate change through the investigation of new cementitious materials with special functionalities, lower emissions and improved processes from the point of view of energy.

– Develop new, more efficient and sustainable technologies for the use in concrete works.

The company continues to focus on providing advice to customers, through R&D. To do this it has a qualified team and two laboratories equipped with scientific and technological resources accredited in testing cement, aggregates and concrete.

Bio RECO2VER: transforming CO_2 into chemical products through bioconversion

This project, an international consortium within the framework of the European BioRECO2Ver project, in which Cementos Portland Valderrivas take part and whose procedures began in 2017 to be launched in 2018, will take a significant step towards making the bioconversion of CO_2 commercially viable.

The global objective is to create alternative processes for the sustainable commercial production of chemical products. Specifically, the project aims to demonstrate the feasibility of more efficient biotechnological processes for the capture and conversion of CO_2 into two valuable chemicals: isobutene and lactate.

To achieve this, enzymatic processes will be investigated to capture CO_2 from industrial sources, optimising bioprocesses with fermentative and bioelectrochemical systems, and validating these processes in a real industrial environment.

Promotion of knowledge

FCC participates in forums and events with the objective of disseminating and transmitting the knowledge obtained by the company's extensive experience in the different business, which are all synergistic for the design of the cities of the future. Among the relevant events in the sector, the following stand out:

- **FCC showcases innovation in Spain's capital during Engineering Week**

  Between 22 and 28 May, FCC participated in the 4th Civil Engineering Week in Madrid under the motto "Civil engineering to change the world".

- **SWAN Advisory Committee**

  Aqualia has been selected as a member of the advisory board of SWAN, the main organisation on intelligent water management internationally.

- **EIP Water Conference 2017**

  Aqualia participated in the 4th edition of the conference, analysing the company's commitment to the responsible use of resources, the development of a circular economy and care of the environment.

- **XXXIV AEAS Technical Conference**

  Aqualia maintained an noted presence, both in the exhibition area and in the technical programme, providing knowledge and experience.

- **2nd Conference on Technological Applications Sludge Management, Treatment and Recovery**

  Aqualia presented several R&D projects related to the efficient management of sludge and its reuse as biofuels and biofertilisers.

- **Smart City Expo World Congress**

  FCC Environment (Spain) and FCC Construcción participated in this world congress, a leader in the movement for the development of intelligent communities which promote innovative and sustainable cities.

- **XIV Spanish Conference on Coastal and Port Engineering**

  FCC Construcción presented the national DOVICAIM project (Methodology for the design and optimisation of the life cycle of blocks in maritime infrastructure).

- **XIV PTEC Forum "Innovation in transport infrastructure"**

  FCC Construcción presented the national SORT-i project (Optical systems for the active management of transient risks).

- **Webinar organised by KPESIC promoted by the World Bank**

  FCC Construcción shared its own SAMCEW © methodology, used to evaluate sustainability in civil works, aimed at the infrastructure sector in Latin America and the Caribbean.

- **REGATEC 2017**

  Aqualia presented the most recent advances in the field of biogas, thus disseminating its significant work in the field of biofuels.

Creating social value

Strengthening the value chain

FCC promotes responsible purchasing management, favouring that both the procurement of products and the contracting of services in its supply chain are as sustainable and respectful as possible.

The Purchasing function is managed centrally and governed by the Purchasing Policy which encompasses the entire company and is based on the principles of transparency, competitiveness and objectivity. The company seeks to build long-term relationships with critical suppliers, strengthening the search for synergies and maximising operational efficiency.

The company requires its suppliers to assume their ethical, social and environmental principles, for which it has a clause in the signed contracts which obliges the supplier to declare their knowledge of and commitment to FCC's Code of Ethics and the Ten Principles of the United Nations Global Compact, aligning their principles with those of the company in terms of safety and sustainability.

As a sign of its commitment to excellence in management, FCC establishes quality indicators and monitors them to ensure their achievement.

TOTAL COST

Centralised management allows needs to be combined and negotiated from a more strategic position, avoiding risks derived from a wrong choice of supplier.

INTERNAL CUSTOMER SATISFACTION

The final result of the choice of supplier and purchase must satisfy the needs of the end user area of that purchase. It is important to know the final satisfaction level.

SUPPLIER QUALITY

Centralised management and compliance with the fundamentals of the model ensure the quality of the contracted providers, contributing to an improved service obtained.

Global Purchasing Procedure

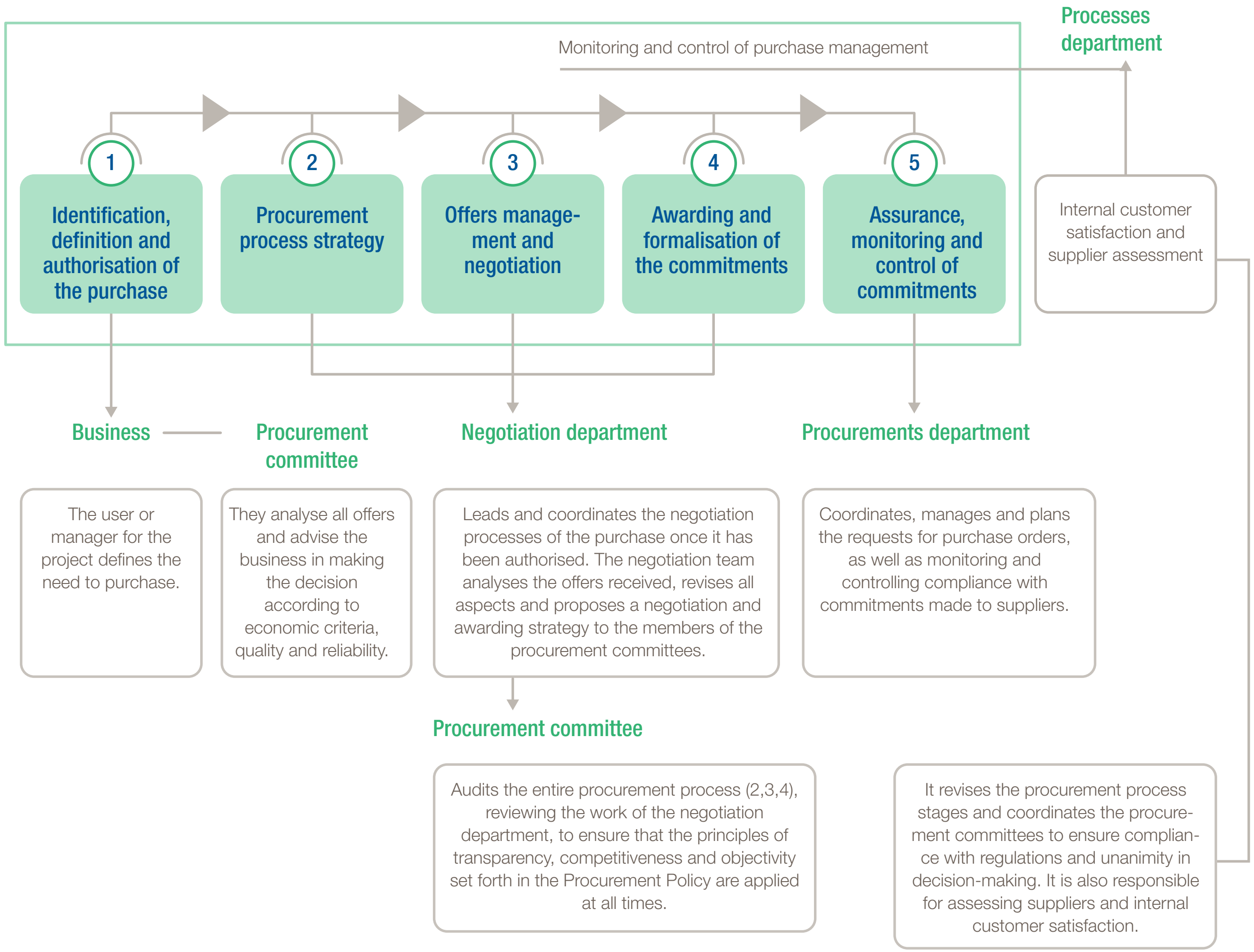
In February 2015, the creation of the global purchasing centre, at the head of businesses, was approved by FCC's Board of Directors to negotiate, procure and control purchases of materials and services.

This step was carried out to guarantee the best conditions for the company and to optimise the planning of the works and/or contracts, resources, and to control budgets and results. Since 2016, the procurement function reports to the General Administration and Finance Department.

The Purchasing heads of the businesses coordinate their work between themselves under this centralised model to take advantage of synergies and improve global management.

The purchasing process is structured in five stages audited and supervised by the Procurement Committees in which the internal customer of the businesses take part and each one of the areas in the Procurement Department (Negotiation, Procurement and Processes) in each case.

To maximise the potential and commitment of those involved in decision-making, incentives are linked to results. In addition, the purchasing activity report is prepared periodically for Management.



Innovation in suppler management

Innovation and technology playing an ever increasingly important role in properly managing the supply chain, making it more transparent and increasing its traceability.

Obralia

In Spain, the FCC Construcción business works on document management and legality through Obralia, a specialised platform in the sector, in which all suppliers must be registered to work. The medium-term objective is to migrate to a global platform that includes all suppliers.

Risk assessment of the supply chain

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Due to the importance of suppliers for a company, it is expected that they be efficient, that they contribute value and that they comply with the legal requirements as well as with sustainable and ethical practices. For this, FCC identifies and evaluates the environmental, social or economic risks associated with the supply chain through an analysis that is performed on all new suppliers, before the contract is formalized. This analysis includes visits to its facilities, personal interviews with the management or the request for relevant information, among other actions.

The evaluation of suppliers is done through a classification of suppliers according to the portfolio of products of the three main divisions of the Company and Central Services. The classification of suppliers is established through satisfaction surveys sent to the users, making a detailed investigation of those with considerably low scores.

In 2017, 34% of the winning suppliers were evaluated, from which responses were received from 47% of the respondents; showing a result of 94% as "satisfactory" or "very satisfactory".

The percentage of suppliers assessed was not very high as the processes was halted in the middle of 2017 to study possible improvements and to include them in the system.

In the CSR 2020 Master Plan, FCC considered a new form of risk assessment. FCC will draw up a map of environmental, social and governance risks for suppliers and contractors, taking into account: the identification of potential risks in terms of sustainability; the inclusion of sustainability criteria in the definition of a critical supplier; and the strengthening of the monitoring and control system for those suppliers with the highest risk, through approval and assessment processes.

FCC's commitments to responsible procurement

The company's new CSR 2020 Master Plan considers specific actions aimed at improving the company's purchasing function. To this end, the Group plans to define a formal commitment regarding responsible purchasing, preparing a Responsible Purchasing Policy, which will be approved by the Board of Directors, and which will consider the definition of the objective, its scope and the sustainability principles required of its suppliers by FCC.

Likewise, actions will be carried out to disseminate the responsible purchasing policy among staff involved in procuring goods and services, as well as suppliers, contractors and other company employees. Training and awareness-raising plans on corporate social responsibility will also be developed for all FCC suppliers and contractors.

The commitment to communities [102-40], [102-42], [102-43], [102-44]

FCC's values are those which have historically guided the commitment which defines the company and its relationship with communities. As a citizen services company, the principle of "well-being and development of communities", included in its Code of Ethics and Code of Conduct, inspires FCC's employees and guides them in their task of knowing the needs and expectations of the citizens to whom the company provides its services. This connection with citizens favours compliance of FCC's priority objective of being the leader of the changes in the urban communities of the present.

Communicating

The horizon of communication is constantly changing and developing, especially with the use of new technologies, the internet and social networks. The immediacy in the search for information and its ease of availability has caused an ever increased demand for greater transparency in the management and disclosure of the information by companies. Companies are adapting to these challenges, seeking not only to comply with their information disclosure obligations, but also to reinforce their closeness to citizens.

Through its communication strategy, FCC strives to be a transparent company in its management and activities. This communication happens on the different platforms and channels through which FCC communicates with all its stakeholders and keeps abreast of the needs and expectations of customers, users and society in general with regard to all its activities.

To comply with this commitment, each of the Group's businesses annually publishes its report on CSR, a document detailing the business information presented in the Group's Report, in which it seeks to deepen the commitments acquired and actions launched in terms of CSR during the year in question.

In recent years, FCC's corporate website has established itself as the channel most used to disseminate information to stakeholders. In 2017, FCC renewed its website and digital channels, unifying the corporate image and improving users' browsing experience. Through these channels, both the Group and the businesses intend to keep all users informed of the news about the company, as well as to comment on the news related to FCC's activity sectors. In order to ensure accessibility to their content, all the websites have been published using LifeRay technology, which has been developed in compliance with Level AA in accordance with the UNE 139803:2004 standard which, in turn, is based on Accessibility Guidelines for W3C Web Content Accessibility Guidelines 1.0.

FCC's social networks in 2017

45,500 followers on LinkedIn

226,440 views on Youtube

16,000 followers on Twitter

1,300 followers on Facebook

FCC Construcción's Environmental Communication

Since 2000, and every two years, FCC Construcción has published its Environmental Communication, an exhaustive document to raise awareness of its performance to all stakeholders involved in the company's activity.

These communications are an exercise in transparency about the responsibility of the environmental and social impact of its works, of the good practices applied in the realm in which they carry out their activity, noted cases and on the progress and results obtained.

Good environmental practices are developed in the following areas: relationship with society, atmosphere, noise and vibrations, water, soil, natural resources, waste, environment and biodiversity. These environmental initiatives feed into the company's environmental management system, certified in accordance with UNE-EN ISO 14.001-2015.

FCC's stakeholders

SHAREHOLDERS AND INVESTORS

FCC has a shareholder service office which manages the interaction with investors and shareholders. In order to meet the information expectations of stakeholders, the corporate website contains a section which provides information on economic performance.

2017

EMPLOYEES

FCC's Strategic Human Resources Plan aims to promote communication for the professional development of employees.

Tools for dialogue

1. FCC ONE – Corporate intranet.
2. Periodic in-person meetings on information of interest.
3. Employee Portal
4. Somos FCC: quarterly online magazine which updates the most important events in FCC.

PUBLIC ADMINISTRATIONS AND REGULATORS

The company voluntarily participates in industrial self-regulation initiatives and the development of legislation relating to its sectors.
FCC works to maintain quality and compliance standards, which are fundamental when working with the public sector.

CUSTOMERS

FCC conducts client satisfaction surveys for its various lines of business with the aim to understand their concerns and degree of satisfaction with the service provided and thus facilitate the improvement proposals by the company. FCC's diversity of activities and client types means that measuring client satisfaction is decentralised. With the aim of ensuring the best quality of products and services , all the lines of business are certified according to the ISO 9001 standard.

Channels for dialogue

FAX

Know their needs and improve services.

SUPPLIERS AND CONTRACTORS

Information and awareness raising sessions.

Obligatory compliance with FCC's Code of Ethics.

Commitment to comply with the Ten Principles of the UN Global Compact.

PARTNERS

The company establishes communication channels with other companies in the sector. They highlight the figure of the interlocutor, the collaboration agreements, alliances, sponsorship, business forums, symposia and publications.

COMMUNITIES

FCC's various business areas promote dialogue with local communities in order to become familiar with their expectations and maximise the social benefits created by its projects.

Aqualia and its stakeholders

Aqualia's employees

Aqualia has other channels of its own for internal communication with its employees, in addition to those of the FCC Group. Internal communication was extended in 2017 with a greater use of *emailing*. Through its "Flash Informativo", a newsletter sent periodically to all its employees to disseminate information about the main news and projects it is developing, its main internal communication channel has been reinforced. A total of 133 news flashes were issued in 2017.

Aqualia's customers

Aqualia takes responsibility for its commitment to citizens through the provision of an excellent and quality service in line with the expectations of its users. The company offers a multi-channel end-to-end service which responds to all the needs of its customers closely and in a personalised manner.

This commitment extends beyond the end-to-end water management cycle through its involvement in the development of the cities where it is present, with initiatives which value its activity and guarantee a comprehensive and efficient end-to-end water management cycle, both financially and socially.

During 2017, the company made continued progress in this regard, implementing the *Balanced Scorecard* management tool, which allows key strategies and objectives to be linked with performance and results. In addition, Aqualia is currently progressively integrating its communication channels with the technical network management applications to facilitate on-line and bidirectional notification of all incidents which occur in networks and commercial systems. On the other hand, the division has reinforced its positioning in the network by adapting its pages to a new model oriented towards the end user with greater visual content. Aqualia has several communication channels with customers:

IN-PERSON OFFICE

Offers more personalised and traditional customer service. Any customer who begins their communication through this channel, may continue with another.

AQUALIA CONTACT

Telephone service where management can be done without needing to attend in-person offices.

Certified with UNE-ISO 27001 “Information Security Management Systems” since 2011.

769,227 calls in 2017

99,068 surveys

75% care excellent

14% care very good

AQUALIA ONLINE

Corporate web page www.aqualia.com, available in 6 languages. It has links to local pages of different municipal water services provided by Aqualia.

It offers access to AqualiaOnline, a virtual office where customers can perform any management related to the service.

Certified with UNE-ISO 27001 “Information Security Management Systems” since 2011.

SMART AQUA

An app for mobile devices which allows all procedures related to Aqualia's services to be carried out whenever the customer wishes, in a simple and convenient way.

Certified with UNE-ISO 27001 “Information Security Management Systems” since 2017.

Aqualia's communities

Aqualia's communication plan lines related to dialogue with communities are mainly focused on ensuring that the creation of value by the company is valued by the citizens of their municipality, and to increase the visibility of Aqualia in the local media and on new digital channels.

Therefore, the most significant initiative developed in 2017 focused on the media, adapting the information to be disseminated to new formats such as "*branded content*", to specials published by the different publishing groups, or as an additional instrument in the dissemination of its own campaigns.

Recognition for the promotion of Aqualia's communication

Aqualia clearly incorporates its commitment to communication with customers and is aware of the importance this has in its business.

As an example of this, it highlights the communications work carried out by the company in the Pitiusas Islands, which has been recognised by Forética, the association of companies and social responsibility professionally. In 2017, the 2015-2020 Communication Plan for Ibiza and Formentera was selected to be part of the "Sustainable life in cities" initiative in the "Communication and Awareness" category as an example of good collaborative practice between companies and public administrations.

FCC Construcción and its stakeholders

FCC Construcción's customers

Public administrations, through application of the regulation which favours sustainability in public procurement, such as the recent Royal Decree 6/2018, of 12 January, which creates the inter-ministerial commission for the inclusion of ecological criteria in these contracts, require more and more information about FCC's projects and services such as technical consultations, environmental issues, quality or safety assurance and preventive measures taken. In order to meet customers' needs and facilitate communication, FCC Construcción has a customer contact person, responsible for raising points of collaboration, addressing any suggestions received, as well as discussing the information gathered and subsequently communicating the actions to be taken as a result of the suggestions received.

FCC Construcción performs "end of construction work surveys" which allow customers to evaluate the service provided, measured in various attributes. In addition, FCC Construction uses an information management system which includes processing complaints and claims, requests for information and the analysis of the degree of satisfaction, in order to implement actions aimed at improvement and to verify they are followed up.

During 2017, FCC Construcción carried out 18 end-of-works surveys whose results concluded that the attributes most valued by customers, across all surveys, were aspects related to professional quality and the fulfilment of commitments, as well as the quality plans applied to the works and respect for the environment.

FCC Construcción's communities

The construction sector has a strong link with society. Therefore, one of the area's priorities is to strengthen the management of this link, generating value for the population as a whole. In this sense, the dissemination of information is fundamental for FCC Construcción, with the aim of transferring the company's effort to the communities and simultaneously obtaining *feedback* on the issue which provides feedback on continuous improvement.

Dialogue with communities on the Mersey Bridge project

In 2017, FCC Construcción finalised the works of the new bridge which crosses the Mersey estuary, in United Kingdom, and of the associated works to incorporate it into the existing road network.

In parallel to the works, environmental and social awareness campaigns were carried out in the communities involved with the aim of guaranteeing their well-being and preventing any type of activity which harms the environment. To this end, environmental bulletins were prepared in several languages, explaining the possible contexts and the appropriate behaviour.

In addition, volunteer actions were carried out since 2014 to disseminate the history of Halton and its new bridge, as well as child road safety campaigns or artistic exhibitions.

Environmental Services and its stakeholders

FCC Environment (Spain) is promoting a new service model called "Smart Human & Environmental Service" (SH&ES) in its offering, which is adapted to the objectives and priorities of the Smart City and, over time, achieve greater efficiency in the management of processes and services provided to our urban customers.

The system has a network of interconnected technological media to record, analyse and communicate the relevant parameters to stakeholders linked to the economic, social, and environmental performance of the activities provided.

In addition, as a feature, this service model is deeply anchored in compliance of the 2030 Agenda SDGs, prioritising the SDGs which it directly influences.

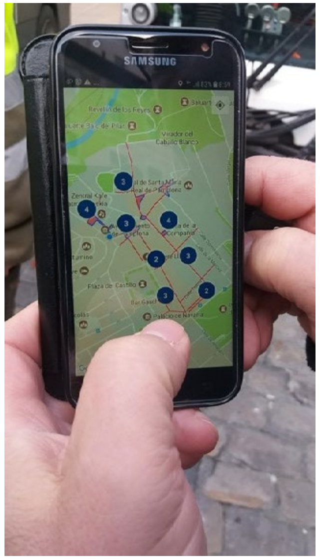
Implementation of SH&ES in Pamplona

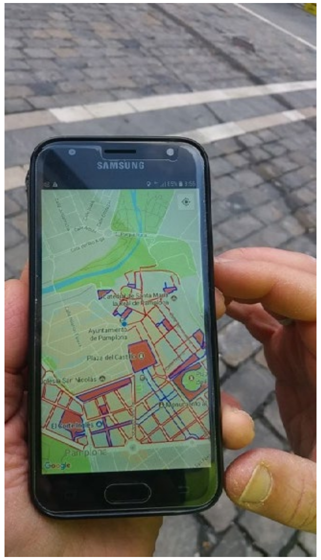
The city of Pamplona has made it possible to take a step forward in the new urban service management model called *"Smart Human and Environmental Service"*. With the aim of offering solutions to its customers adapted to their new needs, tools have been chosen which are linked to the organisation of the services provided, with support based in the Cloud, free software, flexible and evolving environments which guarantee efficient and safe information management.

This digital process would not be possible without the involvement of human teams, who are leading a cultural change through training programmes in the use of the new tools.

This process integrates the entire human chain (a total of 160 people) in an interactive relational model, which is established daily among the municipal technicians pending the good execution of the services, and the FCC professionals responsible for it, to develop and achieve, above all, efficient and responsible environmental performance of the different services provided.

This last point is evidenced through the service's environmental efficiency KPIs which allow customers to communicate information about the contribution of local entities to the circular economy and climate change, and to guide cities towards further sustainable development in line with the commitments to comply with the SDGs of the 2030 Agenda.



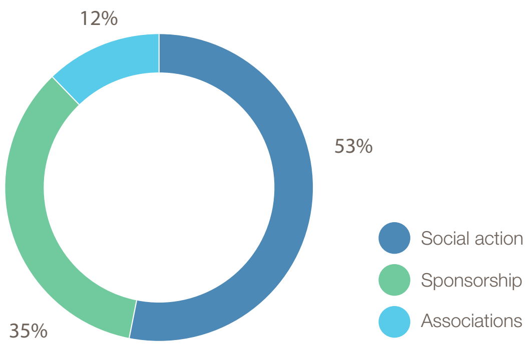


Impacting

FCC contributes to the achievement of SDGs related to economic progress, the reduction of inequalities and the training of communities. The company's business strategy is strongly linked to social actions to contribute to the development of communities. The most relevant contribution of the company to the social and economic progress of communities is through the creation of employment. However, the Group also focuses its efforts on societal relationships in general, and with local communities at an individual level, developing actions which also link to their own employees to create value and build trust.

Investment in Corporate Citizenship 2017[1]

€5.23m



[1] Excludes Cementos Portland Valderrivas

Intra-company actions

I. Actions to integrate disadvantaged groups and support to employees' families:

In 2008, FCC Group and the Adecco Foundation signed a collaboration agreement to promote the social and labour integration of people with disabilities through training and employment guidance activities, along with employment programmes and roadmaps for the future incorporation of FCC employees' family members with disabilities into the labour market.

The training initiatives organised are focused on the development of social skills and abilities that facilitate access to employment, as well as information, advice and guidance in the search for jobs. For children, other types of alternative actions and leisure activities are organised, focused on the parallel development of social and relationship skills. Leisure activities focused on making a positive contribution to the cognitive, physical, emotional, social and occupational development of employees' parents who have disabilities are also organised.

Additionally, in March 2017, FCC and Fundación ONCE renewed the Inserta Agreement, which they signed for the first time in 2009 and which will represent 425 additional people with jobs since the start of the collaboration. FCC expressed its commitment to continue working with Inserta Empleo, the Fundación ONCE entity for training and employment, to cover new jobs which the company demands. In addition, collaboration will continue with the 'No te Rindas Nunca' (Never Give Up) plan which aims to increase employment of young people with disabilities under 30 with 34 measures covering the fundamental aspects to promote employment.

For more information about FCC's commitment to social inclusion of people with disabilities through employment, see the chapter Our People.

II. Raising employees' environmental awareness

Aware of the role played that environmental education, involvement and commitment of its staff to sustainability, FCC works every year on raising employees' awareness and sensitivities to convert them into ambassadors of good social and environmental practices.

The company's aim is to engage its employees in improving the sustainable development of cities so that they become leaders for the citizens themselves. Objectives such as identifying and knowing the impacts of professional actions on the environment, belonging to a conscious team, conveying exemplary behaviour to citizens, or becoming aware of the effect of improvements and good practices, amongst others, are sought through training actions. For example, the company has FCC's internal bulletin, an internal means of communication, where environmental projects are valued and good practices are shared for their transversal implementation into all businesses.

Actions in the community

The Group focuses its community action projects on four areas:

I. Social inclusion and access to basic services.
II. Creating value in communities.
III. Assessment of the social and environmental impact of operations.
IV. Cooperation on education and environmental awareness-raising.

I. Social inclusion and access to basic services

The services offered by FCC provide local communities with access to basic services, such as drinking water, electricity, or sanitation, contributing to improving municipal services and promoting the economic development of areas under its influence. In addition, the company engages in solidarity actions related to sanitation, improving health, and access to services and resources, especially in the communities with the greatest needs in these areas in which it operates. These actions contribute to the social development of the population, thereby reducing social inequalities and providing opportunities to the most disadvantaged groups.

Social contributions at FCC Environment (UK): the WREN Foundation and its FCC Community Action Fund and FCC Scottish Action Fund

WREN is a non-profit organisation created to fund social-based community projects in the area of biodiversity and the protection of heritage using contributions made by FCC Environment.

Since it was founded in 1997, it has invested more than 200 million pounds in over 7,000 projects in the United Kingdom. In 2017, the amount allocated to finance this type of project was £8,676,742.

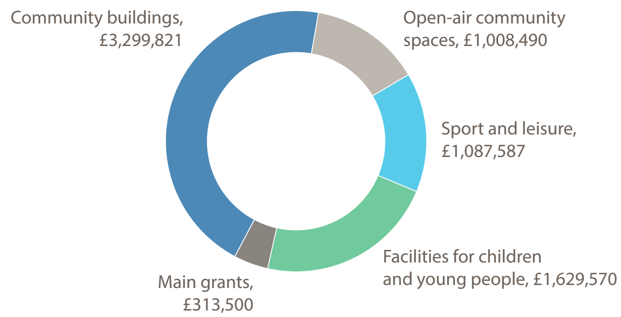
WREN currently contributes and channels funds through two programmes: FCC *Community Action Fund* which funds projects in England and Wales; and FCC Scottish Action Plan, for Scotland. The projects range from recovery and protection of biodiversity actions, health initiatives, restoration of heritage, dissemination of local knowledge, preparation of public spaces, conservation of cultural heritage, to an extensive programme of projects related to communities and the environment.

1 NO POVERTY

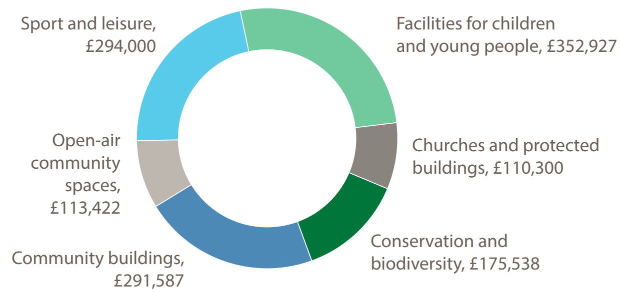
10 REDUCED INEQUALITIES

The following graphics break down the funds contributed to these two programmes in 2017:

FCC Community Action Fund



FCC Scottish Action Fund



FCC Construcción promotes health in communities

FCC's Construction division carries out a noteworthy number of social work actions in Panama. In this case, more than 300 inhabitants of communities such as El Coco, Guadalupe and La Valdeza, benefited from the health workshops which the company developed in 2017, in partnership with governmental and non-governmental entities.

In these workshops, the inhabitants received general medical care, vaccinations and dentistry, among others. In addition, they also received social work assistance and talks on health awareness.

Noteworthy among the actions supporting health was the campaign against breast and prostate cancer, an interesting initiative with various collaborators to which Construction was included by donating products to the National Oncology Institute in Panama. The objectives of the campaign were disseminated internally through brochures to aid the awareness of the collaborators.

II. Creating value in communities

FCC Group, more than having an impact on access to basic services which constitute the basis of a dignified life in the communities in which it operates, has a positive impact on their socio-economic development, mainly through the creation of value with the services and infrastructure it offers.

The company's activity directly generates jobs, as well as, indirectly, wealth in its surroundings by contracting local suppliers and subcontractors. Local employment not only brings benefits to the community, but also to the company itself, which becomes a source of knowledge specific to the environment and a link to the environment which is essential for the successful conclusion of projects.

Aqualia contributes to the sustainable development of its projects

The work Aqualia carried out with the New Cairo treatment plant project in Egypt has been valued very positively by the prestigious *Financial Times* and the *International Finance Corporation* (a World Bank entity) at the *Transformational Business Awards* ceremony, held in London. Aqualia was a finalist in the Sustainable Development, with a focus on Food, Water and Land category.

Cementos Portland Valderrivas contributes to local socio-economic development

A obvious example of how the company leaves a positive mark on the environment in which it operates, through its business activity, is the case of Cementos Portland Valderrivas in Alcalá de Guadaíra (Sevilla). The company started its activity in this town in 1964, so it has a long and close relationship with the communities in the area.

According to data from Cementos Portland Valderrivas, the company contributed more than 24 million euros to the local economy in the vicinity of Alcalá de Guadaíra during 2017. This figure is the total of the services contracts, payment of taxes and salaries, among other concepts, generated by the local factory. The company's factory directly employs 200 workers, in addition to generating indirect employment, thus contributing to the socio-economic development of the Los Alcores region.

III. Cooperation on education and environmental awareness-raising

4 QUALITY EDUCATION | 11 SUSTAINABLE CITIES AND COMMUNITIES

Cooperation in the field of education constitutes one of the main lines of the company's social actions. FCC is working with different educational institutions with the aim to share and disseminate knowledge, focused especially on the sustainability and protection of the environment, to contribute to the communities' social and cultural development.

Education for sustainable development

FCC carries out noteworthy dissemination and awareness-raising campaigns on aspects related to sustainability and the responsible use of resources. The company seeks to contribute to the inclusion of sustainable habits among citizens through the dissemination, to all society, of its knowledge about its own activity and about the best way to reduce the impact of daily life of the population.

FCC Environment (Spain) promotes sustainability amongst citizens

In 2017, FCC Environment (Spain) launched the SICCAR initiative (Service to Promote Citizens' Responsible Environmental Behaviour), developed by the Gipuzkoa-Navarra Office and the Department of Coordination and Development, in collaboration with Tecnalia Technology Centre, in San Sebastián.

The initiative carried out in a section of some of the most iconic streets in San Sebastian has allowed a quantified diagnosis of the objective and subjective perceptions held by citizens on the cleanliness of their street and what would they do to improve it, through the experimental use of a prototype gamification application. The conclusions are encouraging for the technological development of the application to extend its use to other urban environments and turn it into a tool to support street cleaning management, using citizens' own suggestions and their degree of awareness to improve the quality of their surroundings.

Aqualia raises awareness of the importance of purification

On "World Water Day" in 2017 (March 22), the theme revolved around wastewater and different awareness-raising initiatives were organised in which Aqualia played a leading role.

There were a total of 42 open-door opportunities in the wastewater treatment plants (WWTP) operated by the company in several Spanish municipalities. The visitors gained a practical vision of the functioning of the purification systems and their environmental importance, through educational visits organised and given by Aqualia staff.

Workshops and educational days were also organised in schools under the theme "everybody take care of water to build a better world".

IV. Assessment of the social and environmental impact of operations

The company assesses its contribution to the communities and their surroundings and analyses the impacts of developing its activity.

The CSR 2020 Master Plan considers defining a method to measure the environmental, social and economic impact of all FCC's projects, incorporating common and specific guidelines, according to each of the Group's activities.

The method will consider the demands and suggestions of customer, financiers, analysts, etc. in relation to the relevant impact information of each type of project, as well as trends and publications of benchmark institutions. Likewise, it considers that an independent third party can verify the defined methodology in the medium term.

Sustainability assessment in FCC Construcción

FCC Construcción has its own IT tool which it uses to analyse the social and environmental results of the tenders it holds, and calculates a metric to assess their sustainability.

Specifically, the metric assesses whether the project to tender involves the relocation of people or communities, if it has any negative impact on heritage, or if it has an environmental impact study or mitigation of impacts, among others.

The project is classified through defining whether its environmental and social risk is high, average or minimum, allowing for the early identification of relevant requirements when it comes time to submit the tender, assess and audit the project. Of the 399 projects tendered and studied in 2016, 63% had minimal or no environmental and social risks; 37% had an average associated risk and 0% had a high risk.

This metric is added to the "Initial Risk Report" of the works, through which all the risks of the project are analysed. With both analyses, full and adjusted information is available for the company's decision-making process.

Volunteering

Volunteer programmes are an opportunity to promote, among employees, the benefits associated to corporate citizenship projects, thereby supporting the Group's mission to create value for society and contribute to people's well-being. Volunteer projects are implemented in the fields of cooperation, environmental education and humanitarian aid in emergency cases.

Among its actions, the CSR 2020 Master Plan includes the development of a global volunteering programme which channels the social vocation of FCC's people for the benefit of social progress, encouraging them to participate in social projects, which, in turn, will have an impact on improving their leadership skills and social awareness.

To do this, the company identifies genuine volunteer projects aligned with the SDGs which provide value, and makes them available to employees, acting as an intermediary between the volunteers and the NGO.

In addition, the Plan also considers the creation of the Immediate Emergency Unit (IEU) to align and promote the contribution of the company's professionals in catastrophe situations.

Triple bottom line 2017

7

Triple bottom line

Performance indicators in FCC Group in 2017

	Units	2017	2016	2015	Externally verified indicators
Economic indicators					
Net sales	Millions of euros	5,802.0	5,951.6	6,476.0	
Gross operating profit. Ebitda	Millions of euros	815.4	833.7	814.6	
Net operating profit. Ebit	Millions of euros	435.9	93.6	323.8	
Cash flow from operations	Millions of euros	768.9	1,024.9	600.3	
Cash flow from investments	Millions of euros	(150.9)	(94.7)	(412.6)	
Orderbook	Millions of euros	29,377.4	30,589.9	32,499.7	
Generated economic value	Thousands of Euros	5,999,388	6,217,206	6,696,094	
Distributed economic value for FCC Group	Thousands of Euros	5,617,390	5,782,425	6,238,826	
Procurements (suppliers of materials and services)	Thousands of Euros	2,178,669	2,146,181	2,415,153	
Salary expenses	Thousands of Euros	1,780,450	1,822,226	1,858,626	
Corporate income tax	Thousands of Euros	(59,576)	(34,981)	(40,846)	
Interest and exchange rate differences	Thousands of Euros	ND	ND	ND	
Dividends paid to shareholders	Thousands of Euros	0	0	0	
Economic contribution to corporate citizenship	Millions of euros	5.23	5.69	8.35	
Significant financial assistance received from governments (subsidies)	Millions of euros	215.4	225.4	248.3	
Activity certified by ISO 9001	%	84.9	85.0	ND	
Purchases from local suppliers[(1)]	Thousands of Euros	2,683,364	1,687,926	1,321,475	✔
Ethics and integrity					
Communications received through the Code of Ethics channel	No.	19	20	ND	✔

[(1)] Includes the companies managed through SAP, purchases registered by Environment UK and in 2017 the purchases of Environment CEE are also included. Local suppliers are considered to be those in which the country registered in the list of suppliers matches the country of the company. The figures include applicable taxes. Excluded are billings between FCC Group companies (Intercompany billing) and public or financial institutions.

	Units	2017	2016	2015	Externally verified indicators
Efficiency and technology					
Investment in R+D+i	Millions of euros	9.787	10.298	13.132	✔
Activities with environmental certification (e,g: ISO 14001)	%	92.2	84.4	ND	
SOx emissions	kg	782,249[2]	2,791,146[3]	2,669,757	✔
NOx emissions	kg	10,351,115	10,407,683[3]	9,345,957	✔
Particulate emissions	kg	1,002,379	1,049,633[3]	1,807,626	✔
Raw materials	Tonnes	27,018,867[4]	48,069,041	30,919,538	✔
Semi-manufactured products	Tonnes	3,110,697	3,754,847	4,214,457	✔
Ancillary materials	Tonnes	1,961,926	1,812,070	8,908,589	✔
Packing and packaging materials[5]	Tonnes	376	280	287	✔
Water consumption	m^3	12,071,936	11,834,462	12,867,791	✔
Consumption of recycled/waste water	m^3	2,049,007	1,516,639	186,575	✔
Consumption pertaining to surface water	m^3	854,856	963,744	1,177,755	✔
Consumption pertaining to sub-surface water	m^3	1,999,650[6]	2,777,199	3,064,695	✔
Consumption pertaining to municipal supply	m^3	7,155,512[7]	6,558,810	6,694,334	✔
Consumption pertaining to other sources[8]	m^3	12,911	18,068	1,744,432	✔
Discharged wastewater[9]	m^3	1,902,257	2,136,677	ND	✔
Wastewater treated	%	674,382,704[10]	518,028,981	634,232,120	

[2] The decrease is due to the deconsolidation of Cementos Portland Valderrivas in the US, which contributed 1,733.9 tonnes of SOx in 2016.
[3] The emissions of SOx, NOx and particulates in 2016 have been recalculated as the emissions of these pollutants for Environment UK could now be collected.
[4] The decrease in raw materials is due to the completion of the civil works phase in projects as significant as those of the Riyadh and Qatar metro by FCC Construcción.
[5] Includes only the consumption of packing and packaging in FCC Industrial Waste.
[6] The decrease is due to the deconsolidation of Cementos Portland Valderrivas in the US, which consumed 938,889 cubic metres of groundwater in 2016.
[7] The increase in consumption from the municipal supply is due to the fact that Environment UK now monitors this consumption, unlike in 2016. Likewise, consumption has increased in the garden maintenance contracts of FCC Environment (Spain).
[8] In 2016 and 2017 this indicator includes rainwater consumed. In 2015, wastewater consumption was also reported. Wastewater consumption for 2016 and 2017 is under the indicator "Consumption of recycled/waste water".
[9] Excludes Aqualia.
[10] In 2017 the report includes the Aqualia's water treatment in Egypt, Saudi Arabia and United Arab Emirates.

	Units	2017	2016	2015	Externally verified indicators
Water captured to be managed	m^3	840,340,866[11]	621,739,543	620,994,212	✔
Percentage of sub-surface water captured	%	15.9	20.3	47.5	✔
Percentage of surface water captured	%	57.8	78.4	50.9	✔
Percentage of desalinated water captured	%	26.2	1.2	1.4	✔
Percentage of other captured elements	%	0.1	0.1	0.2	✔
Total waste generated	tonnes	3,489,491	3,103,232	2,734,330	✔
Hazardous waste generated	tonnes	127,313[12]	93,493	77,086	✔
Non-hazardous waste generated	tonnes	3,362,178[13]	3,009,739	2,757,625	✔
Waste collected	tonnes	6,314,299	6,111,139	5,085,499	✔
Urban waste	tonnes	4,995,131	4,931,271	4,353,249	✔
Hazardous industrial waste	tonnes	279,840	283,666	188,033	✔
Non-hazardous industrial waste	tonnes	762,960	584,050	294,348	✔
Other waste (hazardous and non-hazardous)	tonnes	276,367	312,152	294,869	✔
Waste admitted by FCC centres	tonnes	12,591,387[14]	11,802,967	10,720,775	✔
Urban waste	tonnes	5,891,537	5,430,426	5,198,227	✔
Hazardous industrial waste	tonnes	492,204	461,584	233,410	✔
Non-hazardous industrial waste	tonnes	6,207,647	5,910,957	5,147,807	✔
Treatment given to hazardous wastes:					
Recovery	%	25.2	34.1	22	✔
Stabilisation/Landfill	%	58.6	50.0	63	✔
Transferred to an end manager/other destinations	%	16.2	15.9	15	✔

[11] The increase in water collected is mainly due to the 213,497,715 m3 captured in Aqualia Algeria for desalination, which is the first year it is reported.

[12] In hazardous waste, there has been an increase in the by-products generated in the thermal waste treatment plants in Environment UK associated with the increase in activity.

[13] The increase is mainly due to the increase of non-hazardous waste generated in Construction in Spain and Panama, driven by the increase in activity and the type of works carried out in 2017. In Panama, the increase is due to the removal of surplus land and rocks from the Ciudad Hospitalaria project. Likewise, in FCC Environment (Spain), the inclusion of a new plant in the operational perimeter has meant a significant increase in the generation of non-hazardous waste.

[14] The inclusion of a new plant in the operational perimeter of FCC Environment (Spain) has meant an increase of more than 700,000 tonnes of waste admitted and treated. Likewise, FCC Environment (CEE) has been able to report the managed waste from all its geographies, which has meant an increase of more than 200,000 tonnes of waste managed.

	Units	2017	2016	2015	Externally verified indicators
Treatment given to non-hazardous wastes:					
Recovery	%	31.56	31.24	31	✔
Elimination in controlled landfill	%	50.93	49.69	51	✔
Transferred to an end manager	%	17.50	19.06	18	✔
Energy and climate change					
Total GHG emissions[15]	t CO_2eq	7,962,850	9,182,340	9,122,248	✔
Direct GHG emissions	t CO_2eq	7,296,889[16]	8,661,234	8,440,377	✔
Indirect GHG emissions	t CO_2eq	665,962[17]	521,105	681,871	✔
Direct consumption of energy	GJ	38,109,622	43,251,445	39,268,463	✔
Renewable energy consumed	GJ	10,750,334[18]	9,924,868	8,513,093	✔
Non-renewable energy consumed	GJ	27,359,288[19]	33,326,577	30,755,370	✔
Indirect consumption of energy	GJ	6,273,576[20]	5,714,895	6,835,734	✔
Electrical energy consumed	GJ	6,273,576	5,714,895	6,834,124	✔
Energy in the form of steam consumed	GJ	0	0	1,610	✔
Total consumption of energy	GJ	44,383,199	48,966,340	46,104,197	✔
Community					
Investment in corporate citizenship	Millions of euros	5.23[21]	6.67	8.35	✔

(15) The GHG emissions for 2015 and 2016 have been recalculated by improving the CO^2 equivalent calculation methodology, based on IPCC guidelines and the emission factors of the IEA (International Energy Agency) and DEFRA (Department for Environment Food & Rural Affairs) in the UK.

(16) The decrease in direct emissions and non-renewable energy consumed is driven by the deconsolidation of Cementos Portland Valderrivas in the USA. In 2016, Cementos Portland Valderrivas in the USA contributed 6,172,961 GJ.

(17) Despite the derecognition of Cementos Portland Valderrivas in the USA, the consumption of electrical energy increases as Aqualia was able to report the consumption of electricity from all its geographies in 2017, unlike in previous years.

(18) There has been a higher consumption of biomass in clinker kilns in Cementos Portland Valderrivas Spain (due to the increase in the price of Coke); there has also been an increase in USW tonnage (biomass fraction) incinerated in the four Environment UK facilities.

(19) The decrease in direct emissions and non-renewable energy consumed is driven by the deconsolidation of Cementos Portland Valderrivas in the USA. In 2016, Cementos Portland Valderrivas in the USA contributed 6,172,961 GJ.

(20) Despite the derecognition of Cementos Portland Valderrivas in the USA, the consumption of electrical energy increases as Aqualia was able to report the consumption of electricity from all its geographies in 2017, unlike in previous years.

(21) Excludes Cementos Portland Valderrivas.

	Units	2017	2016	2015	Externally verified indicators
People					
Total staff	No.	57,405	54,467	55,145	✔
Total women	No.	12,435	11,940	11,953	✔
Total men	No.	44,970	42,527	43,192	✔
Percentage of women executives in respect to total executives	%	27	29	24	✔
Number of employees with permanent contracts	No.	7,754	6,810	7,654	✔
Number of employees with temporary contracts	No.	6,401	4,626	4,878	✔
Number of seconded employees	No.	43,250	43,031	42,613	✔
Total voluntary rotation	%	3.96	3.68	3.5	✔
Total voluntary rotation of men	%	4.00	3.77	3.58	✔
Total voluntary rotation of women	%	3.84	3.35	3.05	✔
Number of employees with disabilities	No.	1,058	929	942	✔
Number of training hours per employee	No.	8.14	7.87	7.88	✔
No. workers covered by collective agreements (Spain)	%	100	100	100	
Amount of time off due to occupational accidents, employees+subcontractors (except while travelling or for cardiovascular reasons)	No.	2,542	2,503	2,624	✔
FCC accident rates (own personnel, national and international):					
Frequency rate		26.1	27.31	27.45	✔
Severity rate		0.91	0.91	0.86	✔
Incidence rate of occupational accidents		4.63	4.88	5.14	✔
Absenteeism rate		7.24	6.82	5.94	✔
Deaths caused by occupational accidents:					
FCC Group Total (own personnel + subcontracted personnel)	No.	6	3	4	✔
Own personnel	No.	4	2	1	✔
Subcontracted personnel	No.	2	1	3	✔

Scope of Exclusions

Indicator	Scope of Exclusions[22]
Emission of NOx, SOx and particulates	Matinsa; Prefabricados Delta; FOCSA; FCC Environment CEE (Czech Republic, Austria, Hungary, Bulgaria, Poland, Serbia, Romania); EES; Aqualia
Raw materials	EES; FCC Environment CEE (Czech Republic, Austria, Bulgaria, Serbia, Romania); Aqualia (Spain, Portugal, Italy, Algeria, Egypt, Saudi Arabia, United Arab Emirates, Chile)
Semi-manufactured products	Aqualia (Spain, Portugal, Italy, Algeria, Egypt, Saudi Arabia, United Arab Emirates, Chile)
Ancillary materials	Cementos Portland Valderrivas (Tunisia); FOCSA; EES; FCC Environment CEE (Czech Republic, Austria, Bulgaria, Poland, Serbia, Romania)
Packing and packaging materials	FCC Construcción; Cementos Portland Valderrivas; FOCSA; FCC Environment (Spain); FCC Environment UK; FCC Environment CEE; Aqualia
Water consumption	Aqualia (Spain, Portugal, Italy, Egypt, Saudi Arabia, Chile); FCC Environment CEE (Austria, Poland, Serbia)
Discharged wastewater	EES; FCC Environment CEE (Czech Republic, Austria, Bulgaria, Poland, Serbia)
Waste generated	EES; FCC Environment CEE (Austria); FCC Industrial Waste (Toledo Plant, Cáceres Plant, Valladolid Plant, Zamudio Plant, Asturias Plant)

Indicator	Energy and climate change
Direct GHG emissions associated with fuel consumption	FCC Environment CEE (Bulgaria); Aqualia (Saudi Arabia)
Direct GHG emissions associated with biological treatment (composting and biomethanisation), thermal treatment of waste and landfill	FCC Environment CEE (Slovakia, Czech Republic, Bulgaria, Poland, Serbia)
Direct GHG emissions generated in water management complexes	Aqualia (Portugal, Italy, Algeria, Egypt, Saudi Arabia, United Arab Emirates, Chile)
Indirect GHG emissions	FCC Environment CEE (Poland)
Direct consumption of energy	FCC Environment CEE (Bulgaria); Aqualia (Saudi Arabia)
Indirect consumption of energy	FCC Environment CEE (Poland)

Community	
Investment in corporate citizenship	Cementos Portland Valderrivas

[22] The part in brackets indicates the geography or centre to which the scope of exclusion applies in the reported data. When not specified, the exclusion applies to the whole division.

About this report

8

About this report

This FCC Integrated Report, provides information about the management of key aspects (environmental, social and economic) of the company and its business during the year 2017, according to the principles of the International *Integrated Reporting Council* (IIRC) framework.

The report is structured into four areas: Fundamentals, Values and Good Governance; Our People (as a new feature, this year this section has been highlighted compared to the previous edition); Managing Impacts; and Creating social value. The specific contents correspond to the materiality exercise carried out in 2017. For the fourth consecutive year, information on performance in FCC's ethical, environmental and social arenas has been prepared in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), in the *GRI Sustainable Reporting Standards (GRI SRS)* version, including the "Construction and Real Estate" Sector Supplement, as detailed in point 102-54 of the *GRI Report*'s Table of Contents. The information contained in this report provides a balanced, comparable, accurate, reliable, regular (annual) and clear view on the economic, social and environmental performance of the company.

To ensure the alignment of the contents of the report with the expectations of stakeholders, the information has also been prepared based on the AA1000 Accountability Principles Standard.

Principles of the AA1000 Standard

1. **Inclusiveness.** Each one of FCC's businesses regularly consults with its stakeholders. Therefore the information contained in this report, in accordance with this principle, is particularly relevant, with a special emphasis on the information produced by FCC Aqualia, whose stakeholder management, especially its customers, has maximum relevance to its business.
2. **Relevance.** The design Corporate Social Responsibility Policy, on which this report was based, was carried out by means of an analysis of sustainable trends that should be met by FCC as a citizen services company. This trend analysis, was based on reports from benchmark sources such as the *World Economic Forum, Slim cities: Sustainable Buildings; Smart Energy; Water Resources Group; or the 2011 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.
3. **Response capability.** FCC has designed a series of actions to respond to the challenges that have been identified as key to the company. The response to the challenge of combining the company's activities with the development of sustainable cities of the future, is geared to serving citizens better, putting professionals at the heart of the strategy and placing greater emphasis on the sustainability of the suppliers chain.

Scope of the 2017 Integrated Report

[102-46], [102-48], [102-49], [103-1], [103-2], [103-3]

The scope of the information provided in this report corresponds to the integration parameter which is used for financial consolidation, according to which, data is considered from 100% of the investee companies over which FCC has management control, regardless of the holding.

Since 2016, in response to changes in the structure of the company, it includes information from Construction Services, Environmental Services and End-to-end Water Management Services in FCC's infrastructure section.

In 2017, the companies specified in the triple bottom line table have been excluded from the scope of the report.

In the case of Joint Ventures, the values are given for those where the operation is controlled, applying the shareholding percentage.

FCC Group, characterised by its geographical diversity and activities, is working to increase the scope of information to all companies within the Group. The list of FCC Group companies as of 31 December 2017, and a description of each one, appears in the Exhibits of the annual accounts.

Reliability of the information disclosed

The ESG information in this report has been verified by KPMG in accordance with international standard ISAE 3000. The scope, description of the work and conclusions of this audit can be found in the section entitled "Independent Review Report".

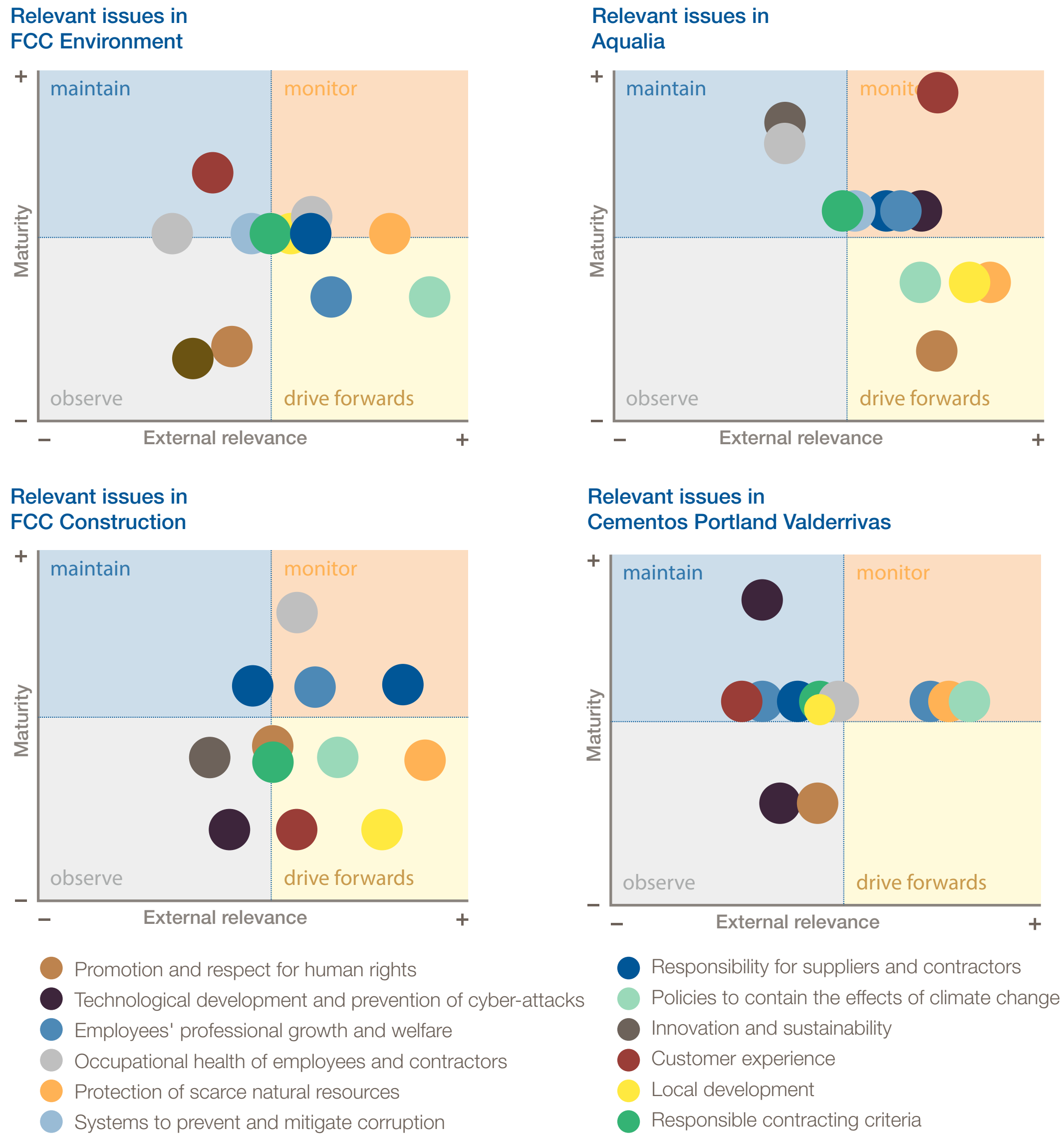
Materiality study 2017

[102-47], [103-1], [103-2], [103-3]

FCC understands the materiality study to be an ongoing process -updated year-to-year- that focuses on issues of a social, environmental and/or economic nature, which are relevant to its business and that influence the decisions of their stakeholders.

FCC's materiality analysis is presented in four matrices, one for each line of business. Aqualia, Environmental Services, FCC Construction and Cementos Portland Valderrivas. Given the unique characteristics of each business, the priorities of the material issues are in different orders, depending on the impacts of the infrastructure, cement, water and environmental services activities.

Each matrix prioritises the material issues through classification into four quadrants -maintain, monitor, observe and promote- depending on the action that the Company should perform in order to manage them properly. For example highly relevant external issues, as well as maturity in the high-level management on the part of FCC, should be monitored. Those highly relevant external issues that are of average or low maturity in their management, must be promoted.



Methodology

1 Identifying relevant issues

The identification of the aspects with the highest relevance takes as a starting point, the specific aspects defined by the Global Reporting Initiative in its "Sustainability Reporting Guidelines, G4" applied to the infrastructure, water and services sectors, reference documents[1] for these sectors, and the learning acquired from materiality exercises carried out in previous years.

2 Prioritisation / contrast external sources

The external prioritisation of these issues has been made based on reference documents related to sustainability -SASB Materiality Maps-, Companies and Human Rights National Action Plan, global risks -Global Risks Report 2018, from the World Economic Forum-, and the sectoral documents for each of FCC's lines of business referred to earlier.

3 Contrast with the sector

Internal prioritization of each of the issues defined from their degree of maturity within the company itself compared to competitor companies in each sector, including the conclusions drawn from interviews with institutional investors conducted in 2015.

4 Production of matrices by business

The analysis has resulted in the formulation of 12 material issues common to all FCC businesses, prioritised according to the specificities of each business. The cases were represented in matrices via external and maturity relevance variables.

[1] Infrastructure 100 World Markets Report by KPMG, Water and Employment 2016 by UN Water, Water for Sustainable Development 2015, Wastewater: The untapped resource 2017 UN Water, Global Waste Management Outlook of ISWA and Recycling our Infrastructure for Future Generations WEF.

Prioritising material issues according to business in 2017 [103-1], [103-2], [103-3]

Below are the material matters according to line of business, and arranged according to the level of relevance[2].

Relevance	Prioritisation of the business issues of FCC Environment	Prioritisation of the business issues of Aqualia	Prioritisation of the business issues of FCC Construction	Prioritisation of the business issues of Cementos Portland Valderrivas
Very high relevance	Protection of scarce natural resources. Occupational health of employees and contractors. Responsibility over the supply chain. Policies to contain the effects of climate change.	Customer experience. Technological development and prevention of cyber-attacks. Employees professional growth and welfare. Responsibility over the supply chain.	Employees professional growth and welfare. Occupational health of employees and contractors. Systems to prevent and mitigate corruption. Protection of scarce natural resources.	Policies to contain the effects of climate change. Protection of scarce natural resources. Employees professional growth and welfare. Occupational health of employees and contractors.
High relevance	Local development. Customer experience. Responsible contracting criteria. Systems to prevent and mitigate corruption.	Protection of natural resources. Local development. Innovation and sustainability. Systems to prevent and mitigate corruption.	Responsibility over the supply chain. Policies to contain the effects of climate change. Promotion and respect for human rights. Responsible contracting criteria.	Innovation and sustainability. Local development. Responsible contracting criteria. Responsibility over the supply chain.
Medium relevance	Employees professional growth and welfare. Innovation and Sustainability. Promotion and respect for human rights. Technological development and prevention of cyber-attacks.	Responsible contracting criteria. Occupational health of employees and contractors. Policies to contain the effects of climate change. Promotion and respect for human rights.	Local development. Innovation and Sustainability. Customer experience. Technological development and prevention of cyber-attacks.	Systems to prevent and mitigate corruption. Customer experience. Promotion and respect for human rights. Technological development and prevention of cyber-attacks.

[2] The very high, high or medium relevance has been based on percentiles 33 and 66.

Very high relevance
High relevance
Medium relevance

Additional information

For further information relating to the sustainability of the four Group businesses, the reader is invited to visit the website for further corporate information.

In addition, FCC Group publishes an Annual Report, an Annual Corporate Governance Report and an Annual Report on Directors' remuneration for the financial year 2017, which is available on the corporate website.

Performance indicators in FCC Group in 2017

The Group FCC Corporate Social Responsibility Report is produced in line with the sustainability reporting standards of the Global Reporting Initiative (GRI).

Main basic contents

Indicator	Description	Page	Omissions	External verification
Profile of the organisation				
102-1	Name of the organisation	Front page		
102-2	Activities, brands, products, and services	21		
102-3	Location of head office	Av. Del Camino de Santiago, 40 28050 Madrid, Spain		
102-4	Location of operations	22		
102-5	Ownership and legal form	Corporate Governance Report, page 1 and section A		
102-6	Markets served	4, 121-122		
102-7	Scale of the organisation	42-44		
102-8	Information on employees and other workers	134-135		
102-9	Supply chain	181-183		
102-10	Significant changes to the organisation and its supply chain	2-4, 41		
102-11	Precautionary principle or approach	37-38		
102-12	External initiatives	184-185		
102-13	Membership of associations	127, 150, 177, 180		
Strategy and analysis				
102-14	Statement from senior decision-maker	2-4		
102-15	Key impacts, risks, and opportunities	35-39		

Indicator	Description	Page	Omissions	External verification
Ethics and integrity				
102-16	Values, principles, standards and norms of behaviour	13-14		
102-17	Mechanisms for advices and concerns about ethics	13-14		✔
Governance				
102-18	Governance structure	Corporate Governance Report 2017, section C, Pages 566-568, 585-589		
102-19	Delegating authority	128		
102-20	Executive-level responsibility for economic, environmental, and social topics	128		
102-21	Consulting stakeholders on economic, environmental, and social topics	128-129		
102-22	Composition of the highest governance body and its committees	7, 566-569		
102-23	Chair of the highest governance body	566-567, 585-586		
102-24	Nomination and selecting the highest governance body	590-592		
102-25	Conflicts of interest	593-595		
102-26	Role of highest governance body in setting purpose, values, and strategy	128, 8-9		
102-27	Collective knowledge of the highest governance body	11-12, 128		
102-28	Evaluating the highest governance body's performance	575		
102-29	Identifying and managing economic, environmental, and social impacts	35		
102-30	Effectiveness of risk management processes	596-600		
102-31	Review of economic, environmental and social topics	596-600		
102-32	Highest governance body's role in sustainability reporting	128		
102-33	Communicating critical concerns	607-609		
102-34	Nature and total number of critical concerns	13-14, 608		
102-35	Remuneration policies	FCC reports on the remuneration of the members of the Board of Administration, through the Annual Remuneration Report of the Board of Administration, available on the Spanish National Securities and Exchange Commission's website (CNMV)		

Indicator	Description	Page	Omissions	External verification
102-36	Process for determining remuneration	FCC reports on the remuneration of the members of the Board of Administration, through the Annual Remuneration Report of the Board of Administration, available on the Spanish National Securities and Exchange Commission's website (CNMV)		
102-37	Stakeholders' involvement in remuneration	Annual Remunerations Report 2017		
102-38	Annual total compensation ratio	Annual Remunerations Report 2017		
102-39	Percentage increase in annual total compensation ratio	Annual Remunerations Report 2017		
Stakeholders participation				
102-40	List of stakeholder groups	185		
102-41	Collective bargaining agreements	139		
102-42	Identifying and selecting stakeholders	184-185		
102-43	Approach to stakeholder engagement	185		
102-44	Key topics and concerns raised	185		
Material aspects and cover				
102-45	Entities included in the consolidated financial statements	334		
102-46	Defining report content and topic Boundaries	202		
102-47	List of material topics	203		
102-48	Restatements of information	202		
102-49	Changes in reporting	202		
Report profile				
102-50	Reporting period	202		
102-51	Date of most recent report	2016		
102-52	Reporting cycle	Annual		
102-53	Contact point for questions regarding the report	rcorporativa@fcc.es		
102-54	Claims of reporting in accordance with the GRI Standards	Comprehensive		
102-55	GRI content index	206		
102-56	External verification	Independent review report		

Specific basic contents

Material aspects		Information on the management approach and indicators	Omissions	External verification
Category: economics				
Material aspect: economic performance				
103-1	Explanation of the material topic and its Boundary	30-34		
103-2	The management approach and its components	30-34		
103-3	Evaluation of the management approach	30-34		
201-1	Direct economic value generated and distributed	195		
201-2	Financial implications and other risks and opportunities due to climate change	26, 164-165		
201-3	Defined benefit plan obligations and other retirement plans	There are no employee pension plans		
201-4	Financial assistance received from Government	195		
Material aspect: indirect economic impacts				
103-1	Explanation of the material topic and its Boundary	189-193		
103-2	The management approach and its components	189-193		
103-3	Evaluation of the management approach	189-193		
203-1	Infrastructure investments and services supported	189-192		
203-2	Significant indirect economic impacts	189-192		
Category: environment				
Material aspect: materials				
103-1	Explanation of the material topic and its Boundary	149-154		✔
103-2	The management approach and its components	149-154		
103-3	Evaluation of the management approach	149-154		
301-1	Materials used by weight or volume	196		✔
301-2	Recycled input materials used	197-198		✔
301-3	Reclaimed products and their packaging materials	196-198		

Material aspects		Information on the management approach and indicators	Omissions	External verification
Material aspect: energy				
103-1	Explanation of the material topic and its Boundary	166-169		✔
103-2	The management approach and its components	166-169		
103-3	Evaluation of the management approach	166-169		
302-1	Energy consumption within the organisation	166-167-198		✔
302-2	Energy consumption outside of the organisation	Not available	FCC does not currently have systems to measure this type of information.	
302-3	Energy intensity	Energy consumption per employee was 773.15 GJ		✔
302-4	Reduction of energy consumption	166-167		
302-5	Reduction in energy requirements of products and services	Not applicable	FCC's main activity is related to infrastructure construction. Therefore there are no certificates to ensure less consumption by the end user.	
Material aspect: water				
103-1	Explanation of the material topic and its Boundary	151-152		✔
103-2	The management approach and its components	151-152		
103-3	Evaluation of the management approach	151-152		
303-1	Water withdrawal by source	197		✔
303-2	Water sources significantly affected by withdrawal of water	151-152		✔
303-3	Water recycled and reused	151-152, 196-197		✔
Material aspect: biodiversity				
103-1	Explanation of the material topic and its Boundary	154		
103-2	The management approach and its components	154		
103-3	Evaluation of the management approach	154		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	154		

Material aspects		Information on the management approach and indicators	Omissions	External verification
304-2	Significant impacts of activities, products, and services on biodiversity	154		
304-3	Habitats protected or restored	154		
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	154		
Material aspect: emissions				
103-1	Explanation of the material topic and its Boundary	166-171		✔
103-2	The management approach and its components	166-171		
103-3	Evaluation of the management approach	166-171		
305-1	Other indirect (Scope 1) GHG emissions	166, 198		✔
305-2	Energy indirect (Scope 2) GHG emissions	166, 198		✔
305-3	Other indirect (Scope 3) GHG emissions	166		
305-4	GHG emissions intensity	Emissions per employee were 138.7 t CO2eq		✔
305-5	Reduction of GHG emissions	166, 168-171		
305-6	Emissions of ozone-depleting substances (ODS)	Not applicable	The materiality studies performed by FCC according to its activities and for each key environmental impact indicator, have not determined as a material issue for FCC's activities, emissions that deplete the ozone layer.	
305-7	Nitrogen oxides (Nox), sulfur oxides (Sox) and other significant air emissions	150, 196		✔
Material aspect: effluents and waste				
103-1	Explanation of the material topic and its Boundary	151-153		✔
103-2	The management approach and its components	151-153		
103-3	Evaluation of the management approach	151-153		
306-1	Water discharge by quality and destination	151, 196		✔

Material aspects		Information on the management approach and indicators	Omissions	External verification
306-2	Waste by type and disposal method	152-153, 197-198		✔
306-3	Significant spills	The were no significant spillages		
306-4	Transport of hazardous waste	152-153, 197-198		✔
306-5	Water bodies affected by water discharges and/or runoff	There were no water bodies affected by discharges or runoffs from the organisation		
Category: social performance				
Subcategory: internships and decent jobs				
Material aspect: employment				
103-1	Explanation of the material topic and its Boundary	134-135		✔
103-2	The management approach and its components	134-135		
103-3	Evaluation of the management approach	134-135		
401-1	New employee hires and employee turnover	135, 199		✔
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	All employees are provided with full benefits		
401-3	Parental leave	Not available	FCC does not currently have systems to measure this type of information.	
Material aspect: relations with workers and the management				
103-1	Explanation of the material topic and its Boundary	185		
103-2	The management approach and its components	185		
103-3	Evaluation of the management approach	185		
402-1	Minimum notice periods regarding operational changes	Not available	Confidential information	
Material aspect: occupational health and safety				
103-1	Explanation of the material topic and its Boundary	144		✔
103-2	The management approach and its components	144		
103-3	Evaluation of the management approach	144		

Material aspects		Information on the management approach and indicators	Omissions	External verification
403-1	Workers representation in formal joint management–worker health and safety committees	Not available	Currently the company does not have the exact percentage of the total staff that are part of the safety and healthcare committees in some countries, although the Health and Safety Policy and the monitoring of accidents and the effectiveness of the actions cover the entire staff.	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	144-145, 199		✔
403-3	Workers with high incidence or high risk of diseases related to their occupation	Not available		
403-4	Health and safety topics covered in formal agreements with trade unions	144		
Material aspect: training and education				
103-1	Explanation of the material topic and its Boundary	136-138		✔
103-2	The management approach and its components	136-138		
103-3	Evaluation of the management approach	136-138		
404-1	Average hours of training per year per employee	137		✔
404-2	Programmes for upgrading employee skills and transition assistance programmes	138		
404-3	Percentage of employees receiving regular performance and career development reviews	Not available	FCC Group is working on the design and implementation of the development function, using a competencies model that covers an evaluation of the performance, career plans and succession plans. Work is being carried out on the implementation of an agile and global system that supports performance evaluations and selection processes.	

Material aspects		Information on the management approach and indicators	Omissions	External verification
Material aspect: diversity and equal opportunities				
103-1	Explanation of the material topic and its Boundary	140-143		
103-2	The management approach and its components	140-143		
103-3	Evaluation of the management approach	140-143		
405-1	Diversity of governance bodies and employees	10, 134, 135, 140-142		✔
405-2	Ratio of basic salary and remuneration of women to men	Not available		
Subcategory: society				
Material aspect: local communities				
103-1	Explanation of the material topic and its Boundary	189-193		
103-2	The management approach and its components	189-193		
103-3	Evaluation of the management approach	189-193		
413-1	Operations with local community engagement, impact assessments, and development programmes	189-191		
413-2	Operations with significant actual and potential negative impacts on local communities	189-191		
Material aspect: fight against corruption				
103-1	Explanation of the material topic and its Boundary	13-14		
103-2	The management approach and its components	13-14		
103-3	Evaluation of the management approach	13-14		
205-1	Operations assessed for risks related to corruption	13-14		
205-2	Communication and training about anti-corruption policies and procedures	13-14		
205-3	Confirmed incidents of corruption and actions taken	Not applicable	There were no cases of corruption in 2017.	
Material aspect: claims mechanisms for social impact				
103-1	Explanation of the material topic and its Boundary	13-14		
103-2	The management approach and its components	13-14		
103-3	Evaluation of the management approach	13-14		

Independent review report

KPMG Asesores, S.L.
Pº. de la Castellana, 259 C
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.)

To the Management of Fomento de Construcciones y Contratas, S.A.

In accordance with our engagement letter, we performed a limited assurance review on the non-financial information contained in the Integrated Report of Fomento de Construcciones y Contratas, S.A. (hereinafter "FCC") for the year ended 31 December 2017 (hereinafter "the Report"). The information reviewed corresponds to the contents marked as external assurance in the section of the Report entitled "Triple Account" and "GRI Content Index" identified with the "✓" symbol.

Management responsibilities

FCC management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Standards de Global Reporting Initiative (GRI Standards), in its comprehensive option, and the Construction and Real Estate Sector Disclosures, as detailed in section 102-54 of the GRI Content Index of the Report. Management is also responsible for the information and assertions contained within the Report; for determining FCC's objectives in respect of the selection and presentation of sustainable development performance, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

These responsibilities include the establishment of appropriate controls that FCC management consider necessary to enable that the preparation of indicators with a limited assurance review would be free of material errors due to fraud or errors.

Our responsibility

Our responsibility is to carry out a limited assurance review and to express a conclusion based on the work performed, referring exclusively to the information corresponding to 2017. 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" and the Standard ISAE 3410 "Assurance Engagements on Greenhouse Gas Statements", issued by the International Auditing and Assurance Standards Board (IAASB); 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.

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Asesores S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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2

Limited assurance over limited assurance indicators

Our limited assurance engagement consisted of making enquiries of management and persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

— Verification of FCC´s processes for determining the material issues, and the participation of stakeholder groups therein.

— Interviews with management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies and corporate responsibility for material issues, and the implementation of these across the business of FCC.

— Evaluation through interviews concerning the consistency of the description of the application of FCC´s policies and strategy on sustainability, governance, ethics and integrity.

— Risk analysis, including searching the media to identify material issues during the year covered by the Report.

— Review of the consistency of information comparing the Universal Standards with internal systems and documentation.

— Analysis of 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.

— Visit to the El Alto facility of Cementos Portland Valderrivas selected based on a risk analysis considering quantitative and qualitative criteria.

— Review of the application of the Sustainability Reporting Standards de Global Reporting Initiative (GRI Standards) requirements for the preparation of reports in accordance with comprehensive option.

— 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.

— Verification that the financial information reflected in the Report was audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

3

Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Review Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the limited assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that Integrated Report of Fomento de Construcciones y Contratas, S.A. for the year ended 31 December 2017, have not in all material respects, been prepared and presented in accordance with the Sustainability Reporting Standards de Global Reporting Initiative (GRI Standards), in its comprehensive option, and the Construction and Real Estate Sector Disclosures of the Global Reporting Initiative as described in point 102-54 of the GRI Index, including the reliability of data, adequacy of the information presented and the absence of significant deviations and omissions.

Under separate cover, we will provide FCC management with an internal report outlining our complete findings and areas for improvement.

Purpose of our report

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for FCC in relation to its Integrated Report and for no other purpose or in any other context.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

10 May 2018

Financial Statements

A1

Financial Statements

Consolidated Group

Consolidated Balance Sheet

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2017 (in thousands of euros)

ASSETS	31-12-2017		31-12-2016	
NON-CURRENT ASSETS		**6,760,761**		**7,008,694**
Intangible assets (Note 7)		**2,485,248**		**2,536,258**
Concessions (Notes 7 and 11)	1,334,882		1,350,691	
Goodwill	1,083,740		1,094,561	
Other intangible assets	66,626		91,006	
Property plant and equipment (Note 8)		**2,455,863**		**2,520,255**
Land and buildings	761,187		780,364	
Plant and other items of property, plant and equipment	1,694,676		1,739,891	
Investment Property (Note 9)		**3,188**		**14,303**
Investments accounted for using the equity method (Note 12)		**650,640**		**669,002**
Non-current financial assets (Note 14)		**328,374**		**322,252**
Deferred tax assets (Note 24)		**837,448**		**946,624**
CURRENT ASSETS		**3,806,160**		**3,761,087**
Non-current assets classified as held for sale (Note 4)		**41,365**		**14,907**
Inventories (Note 15)		**569,627**		**581,627**
Trade and other receivables		**1,722,114**		**1,690,807**
Trade receivables for sales and services (Note 16)	1,457,659		1,417,099	
Other receivables (Note 16 and 24)	264,455		273,708	
Other current financial assets (Note 14)		**158,569**		**263,726**
Other current assets (Note 16)		**76,230**		**63,935**
Cash and cash equivalents (Note 17)		**1,238,255**		**1,146,085**
TOTAL ASSETS		**10,566,921**		**10,769,781**

The accompanying Notes 1 to 33 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 2017.

Consolidated Balance Sheet

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2017 (in thousands of euros)

EQUITY AND LIABILITIES	31-12-2017		31-12-2016 (*)	
EQUITY (Note 18)		**938,519**		**872,879**
Equity attributable to the Parent Company		**863,926**		**797,482**
Shareholders' equity	1,221,103		1,099,741	
Share capital	378,826		378,826	
Retained earnings and other reserves	726,073		885,402	
Treasury shares	(4,427)		(5,502)	
Profit (Loss) for the year attributable to the Parent Company	118,041		(161,575)	
Other equity instruments	2,590		2,590	
Valuation adjustments	(357,177)		(302,259)	
Non-controlling interests		**74,593**		**75,397**
NON-CURRENT LIABILITIES		**6,112,718**		**6,595,636**
Grants		**215,372**		**225,460**
Non-current provisions (Note 19)		**1,140,965**		**1,175,595**
Non-current financial liabilities (Note 20)		**4,279,585**		**4,659,288**
Debt instruments and other marketable securities	1,560,546		229,632	
Bank borrowings	2,507,571		4,211,384	
Other financial liabilities	211,468		218,272	
Deferred tax liabilities (Note 24)		**312,653**		**360,347**
Other non-current liabilities (Note 21)		**164,143**		**174,946**
CURRENT LIABILITIES		**3,515,684**		**3,301,266**
Liabilities associated with non-current assets classified as held for sale (Note 4)		**14,241**		**14,907**
Current provisions (Note 19)		**165,793**		**202,911**
Current financial liabilities (Note 20)		**827,528**		**557,161**
Debt instruments and other marketable securities	48,609		2,737	
Bank borrowings	649,677		324,752	
Other financial liabilities	129,242		229,672	
Trade and other payables (Note 22)		**2,508,122**		**2,526,287**
Payable to suppliers	1,116,440		1,077,171	
Other payables (Notes 22 and 24)	1,391,682		1,449,116	
TOTAL EQUITY AND LIABILITIES		**10,566,921**		**10,769,781**

The accompanying Notes 1 to 33 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 2017.
(*) The comparative figures from 2016 have been re-expressed to record the impact of the takeover bid for Cementos Portland Valderrivas S.A. made in 2017 (notes 2, 5, 18 and 20).

Consolidated Income Statement

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2017 (in thousands of euros)

	31-12-2017	31-12-2016
Net revenue (Note 27)	**5,802,032**	**5,951,591**
Capitalised expenses of in-house work on fixed assets	34,671	52,930
Other operating income (Note 27)	153,888	175,440
Changes in inventories of finished goods and work in progress	(6,975)	3,517
Procurements (Note 27)	(2,178,699)	(2,146,181)
Staff costs (Note 27)	(1,780,450)	(1,822,226)
Other operating expenses	(1,209,102)	(1,381,365)
Depreciation and amortisation charge and allocation to the consolidated income statement of grants related to non-financial non-current assets and other grants (Notes 7, 8 and 9)	(364,123)	(399,312)
Impairment and gains on disposals of non-current assets (Note 27)	(12,741)	(281,679)
Other profit or loss (Note 27)	(2,618)	(59,104)
OPERATING INCOME	**435,883**	**93,611**
Finance income (Note 27)	43,468	90,175
Finance costs (Note 27)	(301,189)	(379,239)
Other net finance costs (Note 27)	(28,883)	(22,202)
FINANCIAL RESULT	**(286,604)**	**(311,266)**
Result of companies accounted for using the equity method (Note 27)	33,884	56,444
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**183,163**	**(161,211)**
Income tax (Note 24)	(59,576)	(34,981)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**123,587**	**(196,192)**
Profit for the year from discontinued operations, net of tax (Note 4)	—	(7,294)
CONSOLIDATED PROFIT OR LOSS FOR THE YEAR	**123,587**	**(203,486)**
Profit (Loss) attributable to the Parent Company	118,041	(161,575)
Profit (Loss) attributable to non-controlling interests (Note 18)	5,546	(41,911)
EARNINGS PER SHARE (Note 18)		
Basic	0.31	(0.45)
Diluted	0.31	(0.45)

The accompanying Notes 1 to 33 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 2017.

Consolidated statement of recognized income and expenses

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2017 (in thousands of euros)

	31-12-2017		31-12-2016	
CONSOLIDATED PROFIT OR LOSS FOR THE YEAR		**123,587**		**(203,486)**
Other overall profit/loss – Items not reclassified to profit or loss for the year		**3,573**		**(9,956)**
For actuarial profits and losses (*)		3,573		(9,956)
Other overall profit/loss – Items that may subsequently be reclassified to profit or loss for the year		**(3,161)**		**(41,655)**
Available-for-sale financial assets		6		(45)
Valuation gain (Loss)	—		(39)	
Transfers to the income statement	6		(6)	
Cash flow hedges		10,010		(1,788)
Valuation gain (Loss)	(2,340)		(10,006)	
Transfers to the income statement	12,350		8,218	
Exchange differences		(28,258)		(81,343)
Valuation gain (Loss)	(28,251)		(73,915)	
Transfers to the income statement	(7)		(7,428)	
Participation in other comprehensive income recognised by investments in joint ventures and associates companies		16,655		22,671
Valuation gain (Loss)	4,412		(29,992)	
Transfers to the income statement	12,243		52,663	
Tax effect		(1,574)		18,850
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**123,999**		**(255,097)**
Attributable to the Parent Company		116,677		(205,408)
Attributable to non-controlling interests		7,322		(49,689)

The accompanying Notes 1 to 33 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 2017.
(*) Amounts that may not be recognised in the consolidated income statement in any circumstances.

Consolidated statement of changes in total equity

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2017 (in thousands of euros)

	Share capital (Note 18.a)	Share premium and reserves (Note 18.b)	Interim dividend	Treasury shares and equity interests (Note 18.c)	Profit (Loss) for the year attributable to the Parent Company	Other equity instruments (Note 18.d)	Valuation adjust-ments (Note 18.e)	Equity attributable to shareholders of the Parent Company (Note 18)	Non-controlling interests (Note 18.II)	Total equity
Equity at 31 December 2015	**260,572**	**301,342**	**—**	**(5,502)**	**(46,291)**	**35,576**	**(264,966)**	**280,731**	**206,516**	**487,247**
Total income and expenses for the year		(9,501)			(161,575)		(34,332)	(205,408)	(49,689)	(255,097)
Transactions with shareholders or owners	118,254	589,594						707,848	(12,191)	695,657
Capital increases/(reductions)	118,254	589,594						707,848	15	707,863
Dividends paid									(12,206)	(12,206)
Treasury share transactions (net)										
Other changes in equity (note 18)		3,967			46,291	(32,986)	(2,961)	14,311	(69,239)	(54,928)
Equity at 31 December 2016 (*)	**378,826**	**885,402**	**—**	**(5,502)**	**(161,575)**	**2,590**	**(302,259)**	**797,482**	**75,397**	**872,879**
Total income and expenses for the year		3,161			118,041		(4,525)	116,677	7,322	123,999
Transactions with shareholders or owners		689		1,075				1,764	(16,211)	(14,447)
Capital increases/(reductions)									(734)	(734)
Dividends paid									(15,477)	(15,477)
Treasury share transactions (net)		689		1,075				1,764		1,764
Other changes in equity (note 18)		(163,179)			161,575		(50,393)	(51,997)	8,085	(43,912)
Equity at 31 December 2017	**378,826**	**726,073**	**—**	**(4,427)**	**118,041**	**2,590**	**(357,177)**	**863,926**	**74,593**	**938,519**

The accompanying Notes 1 to 33 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 2017.
(*) The comparative figures from 2016 have been re-expressed to record the impact of the takeover bid for Cementos Portland Valderrivas S.A. made in 2017 (notes 2, 5, 18 and 20).

Consolidated statement of cash flows (indirect method)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2017 (in thousands of euros)

	31-12-2017		31-12-2016	
Profit (Loss) before tax from continuing operations		**183,163**		**(161,211)**
Adjustments to profit (loss)		**686,975**		**977,526**
Depreciation and amortisation charge (Notes 7, 8 and 9)	370,815		404,794	
Impairment of goodwill and non-current assets (Notes 7 and 8)	2,343		317,768	
Other adjustments to profit (loss) (net) (Note 27)	313,817		254,964	
Changes in working capital (Notes 11 and 16)		**31,085**		**331,395**
Other cash flows from operating activities		**(132,359)**		**(122,808)**
Dividends received	30,208		46,492	
Income tax recovered/(paid)	(83,697)		(48,598)	
Other proceeds/(payments) relating to operating activities	(78,870)		(120,702)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**768,864**		**1,024,902**
Payments due to investments		**(333,079)**		**(448,616)**
Group companies, associates and business units	(16,209)		(114,661)	
Property, plant and equipment, intangible assets and investment property (Notes 7, 8 and 9)	(272,406)		(302,800)	
Other financial assets	(44,464)		(31,155)	
Proceeds from disposals		**173,568**		**294,169**
Group companies, associates and business units	109,143		160,797	
Property, plant and equipment, intangible assets and investment property (Notes 7, 8 and 9)	23,325		18,017	
Other financial assets (Note 11)	41,100		115,355	
Other cash flows from investing activities		**8,597**		**59,761**
Interest received	12,897		14,066	
Other proceeds/(payments) relating to investing activities	(4,300)		45,695	

The accompanying Notes 1 to 33 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 2017.

Consolidated statement of cash flows (indirect method)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2017 (in thousands of euros)

	31-12-2017		31-12-2016	
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		**(150,914)**		**(94,686)**
Proceeds and (payments) relating to equity instruments (Note 18)		**2,174**		**707,780**
Issues/(Redemptions)	415		707,863	
(Acquisition)/Disposal of treasury shares	1,759		(83)	
Proceeds and (payments) relating to financial liability instruments (Note 20)		**(244,815)**		**(1,452,677)**
Issues	1,490,110		495,000	
Repayments and redemptions	(1,734,925)		(1,947,677)	
Dividends and returns on other equity instruments paid (Note 6)		**(16,475)**		**(11,662)**
Other cash flows from financing activities		**(214,593)**		**(334,755)**
Interest paid	(185,591)		(316,327)	
Other proceeds/(payments) relating to financing activities	(29,002)		(18,428)	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**(473,709)**		**(1,091,314)**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(52,071)**		**(38,332)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**92,170**		**(199,430)**
Cash and cash equivalents at beginning of year		**1,146,085**		**1,345,515**
Cash and cash equivalents at end of year		**1,238,255**		**1,146,085**

The accompanying Notes 1 to 33 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 2017.

Notes to the Consolidated Financial Statements

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2017

1 Group activities

The FCC Group is made up of the Parent, Fomento de Construcciones y Contratas, S.A., and a group of Spanish and international subsidiaries 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).

– **End-to-End 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.

International operations, which represent approximately 45% of the FCC Group's revenue (2016: 48%), are carried on mainly in the European, Latin American, Middle East and US markets.

Also, the FCC Group has a presence in the real estate industry, both through the company F-C y C S.L. Unipersonal *[Sole-Shareholder Company]* and through the 36.96% holding in Realia Business S.A., which engages mainly in housing development and office rental, both in Spain and abroad.

2 Basis of presentation of the consolidated financial statements and basis of consolidation

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 2017 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 2016 consolidated financial statements were approved by the shareholders of Fomento de Construcciones y Contratas, S.A. at the Annual General Meeting held on 28 June 2017.

These consolidated financial statements of the FCC Group present fairly its equity and financial position at 31 December 2017 and 2016, and its consolidated results, the changes in its consolidated equity and its 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 uniformity criteria were applied to the separate financial statements of the companies included in the scope of consolidation. In general, in 2017 and 2016 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 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, in the case of setting up a cash-generating unit that is clearly separate from the rest of the Group from an operational point of view and for financial-reporting purposes, under "Profit (Loss) for the year from discontinued operations, net of tax" in the accompanying consolidated income statement.

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 17	Insurance contracts	1 January 2021
CINIF 22	Foreign-currency transactions and advance considerations	1 January 2018
CINIF 23	Uncertainty about treatment of tax on earnings	1 January 2019
Amendments to IFRS 2	Classification and valuation of share-based transactions	1 January 2018
Amendments to IAS 40	Property-investment transfers	1 January 2018
Amendments to IFRS 9	Negative-offset prepayment options	1 January 2019
Amendments to IAS 28	Long-term interest at associates and joint ventures	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and associates	Indefinite
Amendments to IAS 19	Amendment, reduction or settlement of a plan	1 January 2019

In general, the Group does not expect the application of these standards pending EU approval to have any significant impact on the financial statements.

With regard to the standards issued by IASB in previous years but not in effect by the closure date of these financial statements, on 1 January 2018 two standards come into effect which will have an impact on the Group's financial statements.

The FCC Group expects the application of IFRS 15 "Revenue from Contracts with Customers" as at 1 January 2018 to have a negative impact on reserves of EUR 224,412 thousand, largely as a result of the re-estimation of income formerly recognised under IAS 11 "Construction Contracts" and IAS 18 "Revenue", as it does not meet the requirements to be recognised as income under the new standard, which establishes more restrictive criteria for the registration of income, generally requiring the customer's approval.

The estimated impact mostly consists of the annulment of income previously recognised for non-client-approved amendments to construction contracts, which under the rules in force at year end 2017 (IAS 11 and IAS 18) were recognised when there was a reasonable expectation that the client's approval would occur in the future. To date, such expectations have been based on past experience of contracts with the same client and works of similar characteristics, and on assessments made when contracting with each counterpart, including their solvency and capacity, which is re-assessed if any contract amendments so require, on the existence and content of negotiations with clients, and also on the possibility of being able to make a sufficiently reliable valuation of the sum of the consideration due (Note 3.s).

Also, to a lesser extent, the impact of this standard also includes the annulment of income recognised in certain price reviews in contracts with public entities. To date these have been recognised if there was a reasonable expectation of future approval by the client, which is a less demanding criterion that the probability requirement under the new IFRS 15. In the case of transactions subject to variable considerations, the new standard establishes that income for the transaction is to be recognised at a value that is highly unlikely to undergo any significant reversal once the uncertainty has been resolved. In this regard, the considerations subject to variable considerations include income from claims submitted to clients, which according to the criteria under the previous standard were recognised according to their likelihood. Finally, IFRS 15 establishes the charging to profit and loss of any non-incremental expenses incurred in the submission of tenders that had previously been activated.

IFRS 15 also makes it compulsory to identify the various performance indicators included under a single contract when clearly separate activities are undertaken under the same contract. The Group, having studied its portfolio of contracts, has concluded that in general there is only one performance obligation in the contracts that it undertakes, either because services to integrate the various services rendered are provided or because such services are highly inter-related. Similarly, as the standards require, the Group has developed a homogeneous method for registering income in contracts with similar characteristics.

The Group forecasts that the first application of IFRS 9 "Financial Instruments" as at 1 January 2018 to have a positive impact on reserves of EUR 46,996 thousand, partly as a result of the positive impact of applying the accounting treatment of non-substantive changes to financial liabilities with regard to the syndicated loan as part of the refinancing of the syndicated debt of the parent company of the Fomento de Construcciones y Contratas Group (Note 20), and partly because of the negative impact of applying the impairment model for financial assets, which the new standard requires to be estimated according to the forecast credit loss instead of the credit loss incurred, as contained in IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 9 develops a new valuing system for accounting for cover, which may mean that in some cases operations are defined as cover operations that previously would not have met the requirements for being classified as such. Given the type of financial instruments that the Group uses to mitigate the financial risks to which it is exposed (Notes 23 and 30), no new operations have been identified as needing to be considered as cover under IFRS 9. IFRS 9 also establishes a new classification for financial assets according to the business model. The Group manages its financial assets with a view to obtaining contractual cash flows, so they must be accounted for by the amortised-cost method, unless they are designated at sources as being at fair value with changes in profit and loss, a form of treatment that is consistent with that currently applied in accordance with the classification established under IAS 39, so no significant impact has been found that might cause changes in how financial assets are valued.

IFRS 16 "Leases", which comes into effect on 1 January 2019, provides that for the lessor all leases (except for certain exceptions for small sums or short terms) result in accounting for an asset for the use rights and a liability for the future payment obligations incurred. At the time of preparing these financial statements the Group is still in the process of assessing its impact.

Significant standards and interpretations applied in 2017

The standards already adopted by the European Union that came into force in 2017 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 7	Initiative of information to be disclosed	1 January 2017
Amendments to IAS 12	Recognition of deferred tax assets for non-realised losses	1 January 2017

In general, the application of the aforementioned regulatory changes did not have a material impact on the accompanying consolidated financial statements.

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, are 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 income statement.

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 (Note 13).

The Group applies its professional judgement to assess its rights and obligations with in relation to joint arrangements, taking into consideration the financial structure and legal form of the arrangement, the terms and conditions agreed upon by the parties and other relevant facts and circumstances in order to assess the type of joint arrangement in question. Once analysed, two types of joint arrangements can be identified:

a) **Joint operation:** When the parties have rights to the assets and obligations for the liabilities.

b) **Joint ventures:** When the parties only have rights to the net assets.

In accordance with IFRS 11 "Joint Arrangements", the interests in joint ventures are accounted for using the equity method and are recognised 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 income statement.

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.

Associates

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 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 income statement.

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 (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 2017 in the fully consolidated companies and the companies accounted for using the equity method. The results of these companies are included in the consolidated income statement 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.

c) Re-expressions performed

These consolidated financial statements have been re-expressed to facilitate understanding of the date for 2016 cited here. With regard to the delisting takeover bid for Cementos Portland Valderrivas S.A. in progress as at 31 December 2016 and completed in February 2017, a liability has been registered representing the payment obligation for the acquisition of the shares to which the bid applied, for the maximum possible sum, i.e., considering the acquisition of 100% of those shares, as at year end 2016 Fomento de Construcciones y Contratas S.A. was understood to have incurred in the obligation to buy the equity instruments held by the minority shareholders the bid was targeted at. The impact of re-expression has meant an increase in current financial liabilities of EUR 63,933 thousand, offset by the same sum under the Group's equity (Notes 5, 18 and 20).

The re-expression carried out has had the following impact on the comparative financial statements from 2016, with the impact mostly affecting non-controlling interests under equity:

	Annual statements data published	Impact of takeover bid	Impact after takeover bid
Non-current Assets	7,008,694	—	7,008,694
Current assets	3,761,087	—	3,761,087
TOTAL ASSETS	**10,769,781**	**—**	**10,769,781**
Equity	936,812	(63,933)	872,879
Non-current liabilities	6,595,636	—	6,595,636
Current liabilities	3,237,333	63,933	3,301,266
TOTAL EQUITY AND LIABILITIES	**10,769,781**	**—**	**10,769,781**

Note 5 explains the impact resulting from the acceptance of 87.81% of the shares at which the bid closed on 13 February 2017 was targeted.

3 Accounting policies

Set forth below is a detail of the accounting policies used in preparing the FCC Group's consolidated financial statements:

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, waste water 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 returned 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 arrangements are accounted for in accordance with 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 as 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 income statement. Also, provisions to replace and repair the infrastructure are systematically recognised in the income statement 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 demand for, or the use of, the infrastructure, 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 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 consolidated income statement. As explained above, the income and expenses from the provision of maintenance and operation services are recognised in the consolidated income statement in accordance with IAS 18 "Revenue".

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 a 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 recognised 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.

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. 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 decline in value. Software is generally amortised over 5–10 years.

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 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 amount of reversals exceed that of the impairment losses previously recognised.

e) Impairment of intangible assets, property, plant and equipment and investment property

Intangible assets with finite useful lives, property, plant and equipment and investment property are tested for impairment when there is 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).

The Group uses both internal and external information sources to assess any signs of impairment. The external sources include reductions in market value beyond the passage of time or normal use or possible adverse future changes in the legal, economic or technological environment that might reveal a loss in the recoverable value of assets. Internally, the Group assesses whether physical deterioration or obsolescence of assets has occurred, if the possible future situation could cause changes in the forecast use of an asset, e.g., if the asset is expected to lie idle for a significant period of time, if restructuring plans are in place, or if the asset is found to be performing worse than expected.

Goodwill and intangible assets with indefinite useful lives must be tested for impairment at least once a year in order to recognise possible impairment losses.

Impairment losses recognised in prior years on assets other than goodwill may be reversed if the estimates used in the impairment 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, generally, 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.

f) Leases

Los arrendamientos se califican como financieros siempre que de las condiciones de los mismos se deduzca que se transfieren al arrendatario sustancialmente los riesgos y beneficios inherentes a la propiedad del activo objeto del contrato. Los demás arrendamientos se califican como operativos.

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 will be 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.

Assets held under finance leases are depreciated using the criteria detailed in sections a), c) and d) of this Note.

f.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 Group acts as the lessor, income and expenses from operating leases are recognised in the consolidated income statement 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.

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 statements of profit or loss. 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.

Necessary valuation adjustments are made whenever there are signs of impairment that could reveal a reduction in the carrying amount of an investment. Both internal and external sources are used for this.

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 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,** which 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 twelve 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 recognised 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 Concession 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 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 reduced to zero, the loss is recognised in the consolidated income statement.

Collection rights arising from a service concession arrangement are measured in accordance with the criteria detailed in Note 3-a.

Held-to-maturity investments, credits, 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.

Trade receivables arising in the Group's normal business activities are stated at their nominal value, reduced by the amounts considered to be non-recoverable.

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.

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 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.

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.

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 Construcción 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.

k) Foreign currency

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 in equity in the accompanying consolidated balance sheet, as shown in the accompanying consolidated statement of changes in equity.

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, except with regard to advances, which are considered to be non-monetary items, converted at the exchange rate corresponding to when the transaction took place.

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.

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 income statement.

m) Grants

Grants are recognised according to their nature.

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 profit or loss as the asset or assets to which they relate are depreciated.

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 profit or loss as the related expenses are incurred.

n) Provisions

The Group companies recognise provisions on the liability side of the accompanying consolidated balance sheet for present obligations arising from past events which the companies consider will 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).

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. At 31 December 2017, no liabilities for significant amounts had been recognised in this connection.

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.

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 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.

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 income statement 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 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 income statement.

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 income statement.

Changes in the fair value of financial derivatives that do not qualify for hedge accounting are recognised in the consolidated income statement 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 (Note 30).

Note 23 to these consolidated financial statements details the financial derivatives that the Group has arranged and other matters related thereto.

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 carryforwards, except for those with respect to which there are reasonable doubts as to their future recovery.

r) Pension obligations

The Group companies have certain specific pension plan and similar obligations, which are described in Note 25 to these consolidated financial statements.

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 and 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.

Also recognised as income are any claims that comply with the accrual principle, but only when the Group — based on previous experience of contracts with the same client and works of similar characteristics, on the assessment made at the time of contracting, including its solvency and capacity, which is reassessed if contract amendments so require, and on legal and technical advisers' reports — expects the claim to be settled with collection of the sums recognised as income. The existence and stock of negotiations with clients are assessed in a similar way, together with whether it will be possible to value the consideration due with a sufficient degree of reliability. Otherwise no income is recognised in relation to contract amendments. In any case, the Group recognises no further income once legal action has been brought (Note 16). Budgeted losses are recognised as an expense in the consolidated income statement 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 a result 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 a result from operations (Note 3-a).

The gains or losses arising on disposals of ownership interests in subsidiaries are also recognised as a 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 CO2 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.

t) Related party transactions

The Group performs all its transactions with related parties on an arm's length basis.

Note 31 to these consolidated financial statements details the main transactions with the significant shareholders of the Parent, its Directors and Senior Executives, between Group companies or entities and with companies in which the shareholders of the Group hold a participating interest.

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.

v) Use of estimates

In the Group's consolidated financial statements for 2017 and 2016, 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 (Notes 7, 8 and 9).

– The measurement of goodwill (Note 7).

– The recoverability of amounts to be billed for construction work performed being processed (Notes 3.s and 16).

– The recoverability of deferred tax assets (see Note 24).

– The amount of certain provisions and, in particular, those relating to claims and litigation (Note 19).

– 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 (Note 4).

– The identification and the determination of the fair value of the assets and liabilities acquired in business combinations (Note 5).

– The useful life of the intangible assets, property, plant and equipment and investment property (Notes 7, 8 and 9).

– The calculation of the recoverable amount of inventories (Note 15).

– The assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations (Notes 19 and 25).

– The market value of derivatives (Note 23).

In 2016 goodwill was impaired in the cement business. This impairment was partly due to a decrease in cement consumption in Spain last year and the existence of more recent estimates from external sources pointing towards practically static behaviour in 2017. The business in Tunisia underwent falls in volumes sold and prices, together with the depreciation of the Tunisian dinar. In addition to these factors, the expected rise in fuel prices resulted in less cash flow than forecast. This year the Group has updated its impairment test for the cement business, concluding that no additional impairment needs to be recognised (Note 7.b).

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" (Note 3-i), the assets for which there were sale plans were reclassified. The FCC Group considers as discontinued operations activities which, individually or as a whole, regardless of whether they represent a business segment (Note 28), represent a major line of business for the Group and are managed separately from the others.

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.

In December 2017 the assets of the Cedinsa group, which is consolidated by the participation method, were reclassified to "Non-current saleable assets", as a sale plan is at advanced stages and is expected to have a positive outcome for the Group. The assets and liabilities of Cemusa in Portugal that were not sold with the rest of the Cemusa group are held as interrupted business until a sale plan is in place. Their net value is zero.

On 17 March 2016 the agreement was completed to close the operation to sell the shares of Globalvia Infraestructuras S.A. to Optrust Infraestructure Europe I S.A.R.L., Stichting Depositary PGGM Infraestructure Funds and USS Nero Limited, as the purchasers. The total sale price included an initial payment received when the operation was closed (EUR 83,817 thousand) and a deferred price, which as at 31 December 2016 was EUR 106,040 million and collected in February 2017. The final sum received was EUR 106,444 thousand, recorded as proceeds from disposals on the enclosed cash-flow statement.

Furthermore, at the end of the operation an escrow account was set up with an initial balance in the Group's favour of EUR 27,303 thousand, included under the heading "Other financial assets". This escrow account guarantees for the purchasers that deposits given by the company to third parties to address financial undertakings will be executed. The Group will receive the cash as the guarantees are released. During 2016 EUR 10,243 thousand was released and received, leaving an outstanding sum of 17,060 thousand, which has been maintained in 2017.

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.

Consolidated income statement

The detail of the result after tax from discontinued operations shown in the accompanying consolidated income statement is as follows:

	Cemusa Group
2017	
Revenue	9,687
Operating expenses	(7,467)
Operating income	2,220
Profit (Loss) before tax	1,772
Income tax	(54)
Impairment losses on discontinued operations after tax	(1,718)
Profit (Loss) for the year from discontinued operations, net of tax	—
Profit (Loss) attributable to non-controlling interests	—

	Cemusa Group	Globalvia Group	Total
2016			
Revenue	9,077	—	9,077
Operating expenses	(7,466)	—	(7,466)
Profit (Loss) from operations	1,611	—	1,611
Profit (Loss) before tax	912	(39,555)	(38,643)
Income tax	(87)	32,260	32,173
Impairment losses on discontinued operations after tax	(825)	—	(825)
Profit (Loss) for the year from discontinued operations, net of tax	—	(7,295)	(7,295)
Profit (Loss) attributable to non-controlling interests	—	—	—

Once the Globalvia Infraestructuras S.A. sale was complete, the tax impact of the operation was recorded, including the reversion of the deferred tax associated with that holding and the recording in profit and loss of the corresponding valuation adjustments (Note 18), which were the main components of the results from interrupted activities in the period (Notes 5 and 27).

In relation to the income tax recognised on the result from discontinued operations, the amount relating to the discontinued operation itself represented an income tax expense of EUR 54 thousand at 31 December 2017 (31 December 2016: EUR 87 thousand). Also, the loss from the sale of Globalvia resulted in the recognition of an income tax profit of EUR 32,260 thousand at 31 December 2016.

Consolidated statement of cash flows

The consolidated statement of cash flows relating to discontinued operations is as follows:

	Cemusa Group
2017	
Profit (Loss) before tax from discontinued operations	1,772
Adjustments to profit (loss)	451
Changes in working capital	238
Other cash flows from operating activities	10
Cash flows from operating activities	**2,471**
Payments due to investments	(93)
Proceeds from disposals	23
Other cash flows from investing activities	(68)
Cash flows from investing activities	**(138)**
Proceeds and (payments) relating to equity instruments	37
Proceeds and (payments) relating to financial liability instruments	(1,725)
Other cash flows from financing activities	(543)
Cash flows from financing activities	**(2,231)**
Total cash flows	**102**

	Cemusa Group
2016	
Profit (Loss) before tax from discontinued operations	912
Adjustments to profit (loss)	1,103
Changes in working capital	49
Other cash flows from operating activities	(335)
Cash flows from operating activities	**1,729**
Payments due to investments	(551)
Proceeds from disposals	82
Other cash flows from investing activities	—
Cash flows from investing activities	**(469)**
Proceeds and (payments) relating to equity instruments	—
Proceeds and (payments) relating to financial liability instruments	(875)
Other cash flows from financing activities	(432)
Cash flows from financing activities	**(1,307)**
Total cash flows	**(47)**

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:

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Cemusa Group	14,241	14,241	14,907	14,907
Cedinsa Group	27,124	—	—	—
	41,365	**14,241**	**14,907**	**14,907**

Following is a detail, by balance sheet heading, of the assets and liabilities presented under the respective held-for-sale headings:

	2017			2016
	Cemusa Group	Cedinsa Group	Total	Cemusa Group
Property, plant and equipment	16,817	—	16,817	16,655
Intangible assets	270	—	270	348
Financial assets	—	27,124	27,124	—
Deferred tax assets	267	—	267	267
Current assets	5,712	—	5,712	4,765
Impairment of non-current assets classified as held for sale	(8,825)	—	(8,825)	(7,128)
Non-current assets classified as held for sale	**14,241**	**27,124**	**41,365**	**14,907**
Non-current financial liabilities	—	—	—	—
Other non-current liabilities	2,184	—	2,184	2,183
Current financial liabilities	7,417	—	7,417	9,229
Other current liabilities	4,640	—	4,640	3,495
Liabilities associated with assets classified as held for sale	**14,241**	**—**	**14,241**	**14,907**

5 Changes in the scope of consolidation

In 2017 the main variations noted within the consolidation perimeter were as follows:

- On 13 February 2017 the acceptance period ended for the delisting tender offer targeted at 100% of the share capital of Cementos Portland Valderrivas S.A., at a price of 6 euros per share, initially being accepted for 9,356,605 shares, representing 87.81% of those at which the bid was targeted. Fomento de Construcciones y Contratas has subsequently made further acquisitions of shares of Cementos Portland Valderrivas S.A., with a total of 56,914 thousand paid up, recorded on the enclosed consolidated cash-flow statement under "Proceeds (and payments) relating to financial-liability instruments".

  Also, on 23 July 2017 the company Cementos Portland Valderrivas S.A. completed a capital increase subscribed by means of monetary contributions and credit offsets, totalling 85,621,330 shares. In this capital increase Fomento de Construcciones y Contratas acquired 85,512,698 shares by offsetting credits totalling EUR 423,288 thousand.

  Upon the completion of these operations, the Group's effective holding at year end 2017 stood at 99.04% (79.11% in 2016) (Notes 18 and 20).

- The carrying amount of the Cedinsa group's various concessionaire companies consolidated by the participation method has been reclassified to "Non-current saleable assets", as a sale plan is in place and now at very advanced stages (Note 4). Completing this sale is expected to be have a positive outcome for the Group.

Operations in 2016 included:

- On 17 March 2016 the sale was completed to the USS, OPTrust, USS Nero and PGGM funds of the company Globalvia Infraestructuras S.A. was completed, with the receipt of the full price of EUR 95,161 thousand established under the agreement reached in 2005. In February 2017 the sum of EUR 106,444 thousand was collected as the final deferred price. Also in 2016, Globalvia Infraestructuras S.A. returned to Fomento de Construcciones y Contratas S.A. EUR 8,661 thousand as the return of a contribution (Note 4).
- On 28 October 2016 a capital-increase operation was approved at the subsidiary Giant Cement Holding Inc. (Cement Division) of USD 220 million, fully subscribed by Elementia S.A. de C.V., a company associated with the majority shareholder, together with the granting by part of the latter of credit of approximately USD 305 million and the capitalisation of intragroup loans granted by the Group totalling approximately USD 66 million. As a result of this operation, the Group lost control of the aforementioned company and thus accounted it by the equity method at 44.57% at year-end 2017, following the operations mentioned above. This loss of control resulted in a profit recorded in the enclosed income statement of EUR 54,323 thousand, mostly as a result of the recording at fair value of the withheld holding (Notes 12 and 27).
- Sale of the 10.01% stake that the Group held in the company Metro de Málaga S.A. on 8 April 2016; the sale price was EUR 27,446 thousand, with a profit of EUR 13,773 thousand (Note 12). This sum is recorded under "Other financial assets" on the enclosed cash-flow statement.
- On 28 December 2016, Realia Business S.A. completed a capital-increase operation, in which the Group subscribed shares in proportion to its holding, as a result of which its participating interest has Note varied in respect of its percentage stake as at 31 December 2015. The Group subscribed 68,026,898 shares by paying up EUR 54,422 thousand (Notes 12 and 18).
- Also in 2016, the Group reached an agreement to sell a company associated with the majority shareholder to sell shares representing 85% of the capital of Concesionaria Túnel de Coatzacoalcos S.A., still pending approval of the operation, at the time of preparing these consolidated financial statements, by the government of the State of Veracruz. Consequently, the Group received an advance from the purchaser of EUR 48,396 thousand (MXN 1,000,000 thousand), leaving EUR 15,667 thousand (MXN 367,692 thousand), the latter sum being converted at the exchange rate applicable at year end 2017.

6 Distribution of profit or loss

Although Fomento de Construcciones y Contratas, S.A. did not distribute a dividend in 2017 or 2016, certain subsidiaries with non-controlling interests did distribute a dividend, which gave rise to the following payments to those non-controlling interests:

	2017	2016
Shareholders of Fomento de Construcciones y Contratas, S.A.	—	—
Other non-controlling interests of the other companies	16,475	11,662
	16,475	**11,662**

7 Intangible assets

The detail of the carrying amount of intangible assets at 31 December 2017 and 2016 is as follows:

	Cost	Accumulated depreciation	Impairment losses	Carrying amount
2017				
Concessions (Note 11)	2,198,754	(804,412)	(59,460)	1,334,882
Goodwill	1,863,700	—	(779,960)	1,083,740
Other intangible assets	340,492	(259,534)	(14,332)	66,626
	4,402,946	**(1,063,946)**	**(853,752)**	**2,485,248**
2016				
Concessions (Note 11)	2,135,913	(727,298)	(57,924)	1,350,691
Goodwill	1,887,459	—	(792,898)	1,094,561
Other intangible assets	335,051	(234,291)	(9,754)	91,006
	4,358,423	**(961,589)**	**(860,576)**	**2,536,258**

a) Concessions

The changes in “Concessions” in the consolidated balance sheet in 2016 and 2015 were as follows:

	Concessions	Accumulated depreciation	Impairment losses
Balance at 31.12.2015	**2,109,050**	**(648,472)**	**(56,959)**
Additions or charge for the year	72,084	(81,741)	562
Disposals or reductions	(1,765)	1,250	713
Changes in the scope of consolidation, translation differences and other changes	(50,939)	1,663	—
Transfers	7,483	2	(2,240)
Balance at 31.12.2016	**2,135,913**	**(727,298)**	**(57,924)**
Additions or charge for the year	79,345	(81,756)	(1,680)
Disposals or reductions	(4,886)	3,027	2,583
Changes in the scope of consolidation, translation differences and other changes	(11,852)	(1,413)	—
Transfers	234	3,028	(2,439)
Balance at 31.12.2017	**2,198,754**	**(804,412)**	**(59,460)**

“Concessions” includes the intangible assets relating to the service concession arrangements (Note 11).

The most significant additions in the Spanish Environmental Services area in 2017 correspond to the waste-treatment plant in Granada province, to the value of EUR 26,675 thousand, and to the company FCC (E&M) Ltd. (EUR 25,025 thousand (2016: EUR 9,576 thousand)), Acque di Caltanisseta, S.P.A. (EUR 3,537 thousand (2016: 3,745 thousand)) and concessions operated by FCC Aqualia, S.A. (EUR 12,459 thousand (2016: EUR 10,301 thousand).

In 2017 and 2016 there were no significant outgoings.

Incoming and outgoing sums resulted in cash flow recorded on the enclosed cash-flow statement as “Payments due to investments” and “Receipts for disinvestments” under “Tangible and intangible assets and property investments”, respectively.

“Changes in the scope of consolidation, translation differences and other changes” in 2017 include the depreciation of the pound sterling and the Mexican peso against the euro, mostly for negative translation differences resulting in a reduction of EUR 6,225 thousand in the UK group FCC-PFI Holdings Group and EUR 16,073 thousand in the company Concesionaria Túnel de Coatzacoalcos S.A.

The borrowing costs capitalised in 2017 amounted to EUR 1,028 thousand (2016: EUR 1,109 thousand) and accumulated capitalised borrowing costs amounted to EUR 22,455 thousand (2016: EUR 23,099 thousand).

b) Goodwill

The breakdown of the goodwill in the accompanying consolidated balance sheets as at 31 December 2017 and 2016 is as follows:

	2017	2016
Cementos Portland Valderrivas, S.A.	509,397	509,397
FCC Environment (UK) Group	294,001	304,824
.A.S.A. Group	139,787	136,891
FCC Aqualia, S.A.	82,764	82,764
FCC Ámbito S.A.	23,311	23,311
FCC Industrial e Infraestructuras Energéticas, S.L.U.	21,499	21,499
Canteras de Aláiz, S.A.	4,332	4,332
Cementos Alfa, S.A	3,712	3,712
Other	4,937	7,831
	1,083,740	**1,094,561**

Goodwill movements on the enclosed consolidated balance sheet in 2017 and 2016 were as follows:

Balance at 31.12.2015		**1.495.909**
Changes in the scope of consolidation, translation differences and other changes:		
FCC Environment (UK) Group	(50,761)	
Giant Cement Holding, Inc.	(32,613)	
Other	(128)	(83,502)
Impairment losses on assets:		
Cementos Portland Valderrivas, S.A.	(299,955)	
Marepa Group	(9,353)	
FCC Construcción, S.A.	(8,460)	
Other	(78)	(317,846)
Balance at 31.12.2016		**1,094,561**
Changes in the scope of consolidation, translation differences and other changes:		
FCC Environment (UK) Group	(10,823)	
Other	2,869	(7,954)
Impairment losses on assets:		
Marepa Group	(2,867)	(2,867)
Balance at 31.12.2017		**1,083,740**

"Changes in the scope of consolidation, translation differences and other changes" in 2017 include the effect of the depreciation of the pound sterling against the euro in the FCC Environment (UK) subgroup, which resulted in a decrease of EUR 10,823 thousand (2016: EUR 50,761 thousand) of its associated goodwill. In 2016, included is the deregistration of the goodwill associated with Giant Cement Holding Inc. after the capital-increase operation at the former dependent company, as a result of which the Group lost control, for EUR 32,613 thousand

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, there are no signs of any further impairment losses in addition to those shown on the above chart.

Following is a description of the most significant estimates and sensitivity tests performed in the impairment tests on goodwill, the hypotheses used for the tests performed in 2016 have been met this year with no significant deviations.

Cementos Portland Valderrivas

Two separate goodwill items have been recorded in the individual accounts of Cementos Portland Valderrivas S.A.:

- goodwill from the takeover of the group's parent Corporación Uniland and some of its subsidiaries totalling EUR 395,892 thousand.
- EUR 113,505 thousand relating to the cash-generating unit (CGU) consisting of the Alcalá de Guadaira plant.

Following is a description of the main assumptions used in each of the impairment tests performed on the two aforementioned CGUs:

1) Corporación Uniland

In August 2006 Cementos Portland Valderrivas, S.A. acquired a 51.04% ownership interest in the Corporación Uniland Group. The related agreement granted the seller a put option on an additional 22.50%, exercisable in five years. In December 2006 a portion of the option, representing 2.18%, was exercised. The total acquisition price was EUR 1,144,134 thousand.

Additional ownership interests were acquired in subsequent years through the exercise of the aforementioned put option (20.32%) for a total amount of EUR 432,953 thousand. Lastly, an exchange transaction was performed in 2013 whereby the ownership interest in Cementos Lemona was given up in exchange for the non-controlling interest owned by the Irish cement group CRH. As a result of this transaction, the Group obtained all the shares of Uniland. The transaction was valued at EUR 321,886 thousand. The total cost of the 100% ownership interest in Uniland amounted, therefore, to EUR 1,898,973 thousand.

The aforementioned additional acquisitions gave rise to a negative impact on reserves of EUR 177,292 thousand, as a result of the application of IFRS 3 from its entry into force in 2009. In 2011 impairment losses of EUR 239,026 thousand were recognised in relation to the aforementioned acquisitions, as a result of the market slump in the cement industry, which is not expected to recover in the short or medium term. In 2016 a further impairment of EUR 181,191 thousand was recorded.

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.

Given that Uniland operates in two clearly separate geographical markets, different before-tax discount rates have been used to value the flows obtained from each market (6.7% for Spain and 13.8% for Tunisia).

The Cementos Portland Valderrivas Group bases its cash flow projections on historical data and the future projections of both the Group and external organisations. In 2017 the Company updated its “Business Plan 2018–2027”, which is used as the basis for calculating impairment tests.

The Oficemen forecast for Spain in 2018 is for 13.9% growth, estimating a domestic cement market of 12.7 million tonnes. For the operations considered at Uniland Spain, a 9% increase in revenue is expected. After this year increases of around 14% are forecast, gradually levelling off towards the end of the period considered to 4% for the final period considered. With regard to the evolution of the EBITDA margin, improved prices in the domestic market and higher volumes achieved have resulted in a higher estimate for the EBITDA margin.

The evolution included is based internal forecasts of the evolution of prices and costs. For 2018 a reduction in variable costs is expected because of lower electricity costs and an increase in the valuation of alternative fuels, together with a policy to contain fixed costs.

The Tunisian cement market is expected to remain steady in 2018, with no growth, at around 7.1 million tonnes. The Tunisian market has been reversing since 2013, when its maximum level of 7.7 million tonnes was recorded. Significant recovery of exports is expected, reaching 172 million tonnes.

For all operations in Tunisia as a whole, a 4.9% reduction in revenue is forecast for 2018, with exports expected to recover in subsequent years. The overall evolution of operations in the country is significantly affected by the negative forecast for the exchange rate of the Tunisian dinar. The Tunisian Central Bank’s policy is to foster this depreciation in order to encourage new capital to come into the country.

The evolution included is based internal forecasts of the evolution of prices and costs.

The working-capital variations included in the analysis for each year remain stable in terms of how they are calculated, being linked to the general evolution of the unit analysed.

The evolution of investments is closely linked to that of the business studied. For the initial years, 2018-2020, very similar values to the current ones are maintained, being considered sufficient to assure the adequate maintenance of facilities. For future years an increase is recorded that is consistent with the evolution of the EBITDA generated. The value of investments shown in the perpetuity rate presents the value that the company estimates should be investment target it will be necessary to aim for in order to maintain production at the level required in order to secure the revenue included.

The main variables used in the test are as follows:

- Discount period for joint flows for Uniland Spain and Tunisia: 2018–2027
- Discount rate before tax: 6.70% (Spain) and 13.80% (Tunisia)
- Perpetuity growth rate: 0%
- Compound annual growth rate (in euros) of the Spanish cement market:
  - Revenue from domestic market (without CO2 allowances): 6.7%
  - Revenue from export market: 7.0%
  - Gross profit (loss) from operations: 12.7%

– Compound annual growth rate (in dinars) of the Tunisian cement market:

- Total revenue: 6.4%
- Revenue from export market: 4,0%
- Gross profit (loss) from operations: 7.7%

The goodwill test for the Corporación Uniland group withstands various scenarios, including a joint scenario with a 7.38% discount rate (68 pp variation) for Spain and a 16.25% rate (245 pp variation) for Tunisia. It would withstand an annual drop in joint cash flows of approximately 12% compared with the flows forecast.

The Group's management considers the test to be sensitive to variations in its key hypothesis, but that those scales are within a reasonable degree of sensitivity, enabling them to find no impairment of value in 2017.

As a result of the impairment test in 2016, goodwill was impaired to the value of EUR 299,955 thousand.

Prior to the impairment performed in 2016, the goodwill also included that arising from the successive acquisitions by Fomento de Construcciones y Contratas, S.A. (the Parent of the Group) of additional ownership interests in Cementos Portland, to the value of EUR 112,764 thousand, which was impaired in full in 2016 and was included in the impairment of EUR 299,955 thousand mentioned above.

Given the signs of impairment that became evident in 2016 as a result of the impairment of the goodwill associated with Uniland, one of the main UGEs of the Cementos Portland subgroup, an impairment test was performed, considering the UGE made up of the cement business as a whole.

In addition, in order to confirm the impairment test, the Group contracted an independent expert, who proceeded to use the internal information provided and other information from external sources to estimate the value in use of the Cementos Portland subgroup for its business in Spain and Tunisia. The 2016 report concluded that its carrying amount was greater than its value in use within a range with a similar average value to that of the impairment performed.

2) Alcalá de Guadaira

The forecasts for cement demand and expectations in the domestic sector described above for goodwill at Corporación Uniland are also applicable to Cementos Atlántico.

The Alcalá de Guadaira plant continues to develop positively of its geographical location to offset the drop in the domestic market with increased exports.

The main variables used in the test are as follows:

– Discounted cash flow period: 2018 to 2027

– Discount rate before tax: 6.7%

– Perpetuity growth rate: 0%

– Compound annual growth rate:

- Total revenue: 8.2%
- Gross profit (loss) from operations: 16.6%

The Cementos Atlántico goodwill tests withstands a before-tax discount rate of up to approximately 8.15%, representing a spread of 145 basic points. It would withstand an annual drop in cash flows of approximately 23% compared with the flows forecast. The test would withstand a decrease in forecast operating margins of approximately 20%.

Based on this, the Controlling Company's management considers the sensitivity of the impairment test to allow for sufficiently large deviations for no impairment in the value of the assets associated with the UGE to be found.

FCC Environment (UK) Group, formerly WRG Group

In 2006 the FCC Group acquired all of the shares of the FCC Environment (UK) Group for an investment cost of EUR 1,693,532 thousand.

It should be noted that in 2012 impairment losses of EUR 190,229 thousand were recognised on goodwill, as a result of the decrease in cash flows from the latter's activities due to changes in their timing and amount. In 2013 additional impairment losses of EUR 236,345 thousand were recognised on goodwill, mainly as a result of the decrease in the tonnage treated at landfills. Lastly, in 2014, impairment losses of EUR 649,681 thousand were recognised on landfill activity-related items of property, plant and equipment.

Subsequent to the write-downs and the changes arising from the results and changes in equity of FCC Environment (UK), the consolidated carrying amount at 31 December 2017 was EUR 498,202 thousand (31 December 2016: EUR 574,147 thousand).

From the moment of its acquisition, the Group considered the FCC Environment (UK) subgroup as a single cash-generating unit (CGU), as the goodwill recognised in the balance sheet related solely to that CGU. Landfill-related activities are not considered, nor were they considered in the past, as a separate CGU.

The cash flows considered in the impairment test take into consideration the current situation of the CGU, and the best estimates of the future cash flows are performed based on the mix of activities expected in the future. The relative weight of the various activities will vary as the Group strengthens other waste treatment alternatives, which the subgroup already does, offsetting the gradual abandonment of landfill activities.s

The main hypotheses used show a 2% increase in income for 2018; subsequently we find a certain amount of recovery with discreet growth, the highest being 6.3% for 2019, then gradually decreasing to around 1.2–1.9% for the 2022–2027 period. The gross operating margin evolves from 24.2% to around 20.5% by the end of the period considered, which is less than at present, due largely to the change in the mix of activities, with activities with lower margins gaining relative importance. The discount rate before tax used was 5.95% 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 1% growth rate was used to calculate the perpetual return. The present value of the perpetual return represents 67.3% of the total recoverable amount. The test showed that the recoverable amount of the cash-generating unit is EUR 771,990 thousand higher than its carrying amount and would withstand an increase of just over 560 basis points without incurring in impairment, a 10% decrease in current cash-flow values would reduce the surplus to EUR 635,587 thousand. Considering zero growth, the surplus would have fallen to EUR 617,670 thousand.

Note 3-e to these consolidated financial statements establishes that the general criterion was not to consider growth rates in the perpetual return but rather, in the case of the FCC Environment (UK) subgroup, given the transformation occurring in the mix of activities, it was considered that a 1% growth rate was a fairer representation of the reality of the business in the framework of the changes occurring in UK waste treatment industry, with a sharp decline in the dumping of waste at landfills and an increase in alternative waste treatment activities, which is expected to persist over a prolonged period of time. This growth rate is lower than that applied by comparable companies carrying on similar activities in the UK. The subgroup is gradually decreasing due to its lack of profitability, and this abandonment is being offset by an increase in other waste treatment activities as indicated. Accordingly, the growth rate used in calculating the perpetual return includes the gradual increase in the other activities, offsetting the reduced value of the perpetual return offered by landfill activities.

Given the room for manoeuvre in the impairment test and the fact that the business's key assets and liabilities are linked to the same currency (pound sterling), no impairment should be expected to come to light as a result of Brexit.

c) Other intangible assets

The changes in “Other Intangible Assets” in the consolidated balance sheet in 2017 and 2016 were as follows:

	Other intangible assets	Accumulated depreciation	Impairment losses
Balance at 31.12.2015	**368,633**	**(230,995)**	**(10,746)**
Additions or charge for the year	10,609	(25,867)	993
Disposals or reductions	(12,449)	5,997	–
Changes in the scope of consolidation, translation differences and other changes	(32,040)	16,651	–
Transfers	298	(78)	–
Balance at 31.12.2016	**335,051**	**(234,292)**	**(9,753)**
Additions or charge for the year	10,859	(24,933)	(4,590)
Disposals or reductions	(954)	610	2
Changes in the scope of consolidation, translation differences and other changes	(5,486)	(397)	–
Transfers	1,022	(523)	10
Balance at 31.12.2017	**340,492**	**(259,535)**	**(14,331)**

The heading “Changes in the scope of consolidation, translation differences and other changes” in 2016 includes the loss of control of the Giant subgroup in the Cement division, which began to be consolidated by the equity method (Note 5), meant a decrease of EUR 15,031 thousand under “Other intangible assets”.

This heading includes mainly:

- amounts paid to public or private bodies in relation to fees 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 recorded 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.

8 Property, plant and equipment

The detail of the carrying amount of intangible assets at 31 December 2017 and 2016 is as follows:

	Cost	Accumulated depreciation	Impairment	Carrying amount
2017				
Land and buildings	**1,337,984**	**(513,104)**	**(63,693)**	**761,187**
Land and natural resources	645,161	(137,615)	(48,788)	458,758
Buildings for own use	692,823	(375,489)	(14,905)	302,429
Plant and other items of property, plant and equipment	**7,277,039**	**(4,967,655)**	**(614,708)**	**1,694,676**
Plant	4,516,704	(2,851,920)	(597,899)	1,066,885
Machinery and transport equipment	2,052,217	(1,617,834)	(14,216)	420,167
Property, plant and equipment in the course of construction and advances	49,867	–	–	49,867
Other items of property, plant and equipment	658,251	(497,901)	(2,593)	157,757
	8,615,023	**(5,480,759)**	**(678,401)**	**2,455,863**

	Cost	Accumulated depreciation	Impairment	Carrying amount
2016				
Land and buildings	**1,336,192**	**(496,647)**	**(59,181)**	**780,364**
Land and natural resources	637,733	(130,384)	(44,226)	463,122
Buildings for own use	698,459	(366,263)	(14,955)	317,241
Plant and other items of property, plant and equipment	**7,285,173**	**(4,907,642)**	**(637,640)**	**1,739,891**
Plant	4,534,018	(2,804,981)	(619,808)	1,109,229
Machinery and transport equipment	2,058,872	(1,617,877)	(14,825)	426,170
Property, plant and equipment in the course of construction and advances	49,447	–	–	49,447
Other items of property, plant and equipment	642,836	(484,784)	(3,007)	155,045
	8,621,365	**(5,404,289)**	**(696,821)**	**2,520,255**

The changes in 2017 and 2016 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 losses
Balance at 31.12.2015	**784,772**	**789,746**	**1,574,518**	**5,350,270**	**2,109,414**	**51,817**	**668,930**	**8,180,431**	**(5,811,474)**	**(817,241)**
Additions or charge for the year	1,884	12,348	14,232	24,037	84,548	62,128	24,814	195,527	(272,737)	(17,067)
Disposals or reductions	(162)	(7,661)	(7,823)	(3,949)	(107,580)	(2,748)	(32,404)	(146,681)	143,809	2,238
Changes in the scope of consolidation, translation differences and other changes	(164,434)	(103,473)	(267,907)	(881,935)	(31,434)	(4,151)	(33,392)	(950,912)	539,640	135,248
Transfers	15,673	7,499	23,172	45,595	3,924	(57,599)	14,888	6,808	(3,527)	–
Balance at 31.12.2016	**637,733**	**698,459**	**1,336,192**	**4,534,018**	**2,058,872**	**49,447**	**642,836**	**7,285,173**	**(5,404,289)**	**(696,822)**
Additions or charge for the year	27	6,664	6,691	25,799	99,602	51,149	36,352	212,902	(262,463)	(13,843)
Disposals or reductions	(359)	(14,277)	(14,636)	(7,699)	(102,889)	(3,435)	(19,301)	(133,324)	132,714	9,679
Changes in the scope of consolidation, translation differences and other changes	7,726	(1,010)	6,716	(63,319)	(21,081)	(2,262)	1,547	(85,115)	53,717	22,507
Transfers	34	2,987	3,021	27,905	17,713	(45,032)	(3,183)	(2,597)	(438)	78
Balance at 31.12.2017	**645,161**	**692,823**	**1,337,984**	**4,516,704**	**2,052,217**	**49,867**	**658,251**	**7,277,039**	**(5,480,759)**	**(678,401)**

The most significant “Additions” in 2017 were the investments made for the performance of contracts in the Environmental Services Area, mainly at Fomento de Construcciones y Contratas S.A., amounting to EUR 55,224,000 (2016: EUR 54,217,000), at the FCC Environment (UK) Group (formerly the WRG Group), amounting to EUR 31,741,000 (2016: EUR 33,923,000), at the ASA Group, amounting to EUR 34,967,000 (2016: EUR 32,538,000), at Fomento de Construcciones y Contratas S.A. (waste business), amounting to EUR 26,305,000 (no entries in 2016) and those made in the End-to-End Water Management Area, primarily by SmVak, amounting to EUR 19,984,000 (2016: EUR 17,608,000).

“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.

Incoming and outgoing sums resulted in cash flow recorded on the enclosed cash-flow statement as “Payments due to investments” and “Proceeds from disposals” under “Property plant and equipment, intangible assets and investment property”, respectively.

"Changes in the scope of consolidation, translation differences and other changes" in 2017 includes the effect of the depreciation of the pound.

No borrowing costs were capitalised in 2017 and 2016 and accumulated capitalised borrowing costs at 31 December 2017 amounted to EUR 6,383 thousand (2016: EUR 30,153 thousand).

At 31 December 2017, grants related to property, plant and equipment amounting to EUR 6,692 thousand were allocated to profit or loss (31 December 2016: 5,482 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 2017 year-end, the Parent considered that the property, plant and equipment were fully insured.

The gross sum of the fully depreciated property, plant and equipment which, being in good working order, are used in production amounted to EUR 2,889,741 thousand at 31 December 2017 (31 December 2016: EUR 3,085,467 thousand).

At 31 December 2017, property plant and equipment located outside Spain, net of depreciation, in the accompanying consolidated balance sheet amounted to EUR 1,261,663 thousand (31 December 2016: EUR 1,311,759 thousand).

Restrictions on title to assets

Of the total property, plant and equipment in the consolidated balance sheet as at 31 December 2017, there are restrictions on title to assets amounting to EUR 532,549 thousand (31 December 2016: EUR 549,974 thousand), the detail being as follows:

	Cost	Accumulated depreciation	Impairment	Carrying amount
2017				
Buildings, plant and equipment	2,193,538	(1,717,702)	(4,344)	471,492
Other items of property, plant and equipment	186,409	(125,352)	—	61,057
	2,379,947	**(1,843,054)**	**(4,344)**	**532,549**
2016				
Buildings, plant and equipment	2,239,007	(1,749,286)	(57)	489,664
Other items of property, plant and equipment	182,491	(122,181)	—	60,310
	2,421,498	**(1,871,467)**	**(57)**	**549,974**

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 16,505 thousand at 31 December 2017 (31 December 2016: EUR 774 thousand), the detail being as follows:

	2017	2016
Buildings for own use	—	—
Plant	—	57
Machinery and transport equipment	16,505	67
Other items of property, plant and equipment	—	650
	16,505	**774**

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 2017 and 2016 is as follows:

	Cost	Accumulated depreciation	Impairment losses	Carrying amount
2017				
Investment property	11,483	(721)	(7,574)	3,188
	11,483	**(721)**	**(7,574)**	**3,188**
2016				
Investment property	14,849	(546)	—	14,303
	14,849	**(546)**	**—**	**14,303**

The detail of the changes in 2017 and 2016 is as follows:

Balance at 31.12.2015	**20,134**
Additions	166
Disposals	—
Depreciation and impairment losses charge	(168)
Changes in the scope of consolidation, translation differences and other changes	(5,829)
Transfers	—
Balance at 31.12.2016	**14.303**
Additions	59
Disposals	—
Depreciation and impairment losses charge	(7,786)
Changes in the scope of consolidation, translation differences and other changes	(3,388)
Transfers	—
Balance at 31.12.2017	**3,188**

In 2017, the provisions for EUR 7,786 thousand include impairment of property investments totalling EUR 7,575 thousand at the company Vela Borovica Koncern d.o.o.

Incoming and outgoing sums resulted in cash flow recorded on the enclosed cash-flow statement as "Payments due to investments" and "Proceeds from disposals" under "Property plant and equipment, intangible assets and investment property", respectively.

At the end of 2017 and 2016 the Group did not have any firm commitments to purchase or construct investment property.

10 Leases

a) Finance leases

The detail of the finance leases in force at the end of 2017 and 2016 and of the related cash flows is as follows:

	Movable property	Real estate	Total
2017			
Carrying amount	**89,385**	**2,408**	**91,793**
Accumulated depreciation	53,405	—	53,405
Cost of the assets	**142,790**	**2,408**	**145,198**
Finance costs	12,571	92	12,663
Capitalised cost of the assets	**155,361**	**2,500**	**157,861**
Lease payments paid in prior years	(54,936)	(216)	(55,152)
Lease payments paid in the year	(38,758)	(770)	(39,528)
Lease payments outstanding, including purchase option	**61,667**	**1,514**	**63,181**
Unaccrued finance charges	(3,317)	(16)	(3,333)
Present value of lease payments outstanding, including purchase option (Note 20-c. and d)	**58,350**	**1,498**	**59,848**
Lease term (years)	1 to 10	9 to 20	
Value of purchase options	2,550		2,550

	Movable property	Real estate	Total
2016			
Carrying amount	**90,619**	**1,180**	**91,799**
Accumulated depreciation	73,853	24	73,877
Cost of the assets	**164,472**	**1,204**	**165,676**
Finance costs	20,816	75	20,891
Capitalised cost of the assets	**185,288**	**1,279**	**186,567**
Lease payments paid in prior years	(79,838)	(212)	(80,050)
Lease payments paid in the year	(46,811)	(526)	(47,337)
Lease payments outstanding, including purchase option	**58,639**	**541**	**59,180**
Unaccrued finance charges	(9,729)	(22)	(9,751)
Present value of lease payments outstanding, including purchase option (Note 20-c. and d)	**48,910**	**519**	**49,429**
Lease term (years)	1 to 10	9 to 20	
Value of purchase options	2,638		2,638

The detail, by maturity, of the total amount of the lease payments and of their present value at 31 December 2017 is as follows:

	Within one year	Between one and five years	After five years	Total
2017				
Lease payments outstanding, including purchase option	22,014	41,010	**156**	**63,181**
Unaccrued finance charges	(1,161)	(2,163)	**(8)**	**(3,333)**
Present value of lease payments outstanding, including purchase option	**20,853**	**38,847**	**148**	**59,848**

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 2017 no expense was incurred in connection with contingent rent.

b) Operating leases

The operating lease payments recognised as an expense by the Group in the year ended 31 December 2017 amounted to EUR 167,876 thousand (31 December 2016: EUR 201,894 thousand). These payments relate mainly to machinery leased in the construction business, to plant and to buildings leased for use by the Group in all the activities carried on by it.

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.

In addition, on 18 July 2016, an addendum was added to the contract between the Company and Hewlett Packard Servicios España S.L., originally entered on 19 November 2010 and renegotiated on 30 May 2014, through which information technology infrastructure operating services were outsourced, in order to improve efficiency and create greater flexibility and competitiveness at an international level. The term was set to end in October 2020.

At 2017 year-end the non-cancellable future payment obligations relating to operating leases for buildings, structures and IT infrastructure operation services amounted to EUR 425,431 thousand (2016: EUR 459,616 thousand). The detail, by maturity, of the non-cancellable future minimum payments at 31 December 2017 is as follows:

	2017
Within one year	61,131
Between one and five years	130,664
After five years	233,636
	425,431

It should be noted that as a lessor, the FCC Construcción Group recognised income of EUR 4,146 thousand (31 December 2016: EUR 3,387 thousand) in relation to the lease of its machinery to third parties, mainly to FCC Construcción América in Central America.

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 2017 and 2016.

	Intangible assets	Financial assets	Joint ventures - concession operators	Associates - concession operators	Total investment
2017					
Water services	1,467,951	5,118	29,123	93,822	1,596,014
Motorways and tunnels	386,879	—	6,654	—	393,533
Other	343,924	158,599	29,497	(6,117)	525,903
TOTAL	**2,198,754**	**163,717**	**65,274**	**87,705**	**2,515,450**
Accumulated amortisation	(804,412)	—	—	—	(804,412)
Impairment	(59,460)	—	—	—	(59,460)
	1,334,882	**163,717**	**65,274**	**87,705**	**1,651,578**
2016					
Water services	1,448,509	—	46,484	81,125	1,576,118
Motorways and tunnels	398,275	—	6,165	12,852	417,292
Other	289,129	124,309	19,626	75,597	508,661
TOTAL	**2,135,913**	**124,309**	**72,275**	**169,574**	**2,502,071**
Accumulated amortisation	(727,298)	—	—	—	(727,298)
Impairment	(57,924)	—	—	—	(57,924)
	1,350,691	**124,309**	**72,275**	**169,574**	**1,716,849**

Following is a detail of the main characteristics of the principal concession arrangements included in the categories indicated above:

	Carrying amount at 31 December 2017			
	Intangible assets	**Financial assets**	**Concession grantor**	**Collection mechanism**
Water services	**751,961**	**5,118**		
Jerez de la Frontera (Cádiz, Spain)	82,741	—	Jerez de la Frontera Municipal Council	User - based on use
Adeje (Tenerife, Spain)	50,467	—	Adeje Municipal Council	User - based on use
Santander (Cantabria, Spain)	45,909	—	Santander Municipal Council	User - based on use
Lleida (Spain)	41,030	—	Lleida Municipal Council	User - based on use
Caltanisetta (Italy)	40,367	—	Consorzio Ambito Territoriale Ottimale	User - based on use
Badajoz (Spain)	28,429	—	Badajoz Municipal Council	User - based on use
Oviedo (Asturias, Spain)	23,610	—	Oviedo Municipal Council	User - based on use
Vigo (Pontevedra, Spain)	20,896	—	Vigo Municipal Council	User - based on use
Other arrangements	418,512	5,118		
Motorways and tunnels	**301,856**	**8,501**		
Coatzacoalcos underwater tunnel (Mexico)	221,582	—	Government of the State of Veracruz	User-paid direct toll
Autovía Conquense (Spain)	80,274	—	Ministry of Public Works	Shadow toll
Other arrangements		8,501		
Other	**281,065**	**150,098**		
Buckinghamshire plant (UK)	159,043	8,987	Buckinghamshire County Council	Fixed amount plus variable amount per tonne
Campello plant (Alicante, Spain)	34,890	—	Autonomous Community of Valencia Consortium for Plan for Zone XV [Consorcio Plan Zonal XV de la Comunidad Valenciana]	Based on tonnes treated
Edinburg plant (UK)	34,261	39,231	City of Edinburgh and Midlothian Council	Variable sum per minimum tonne guaranteed
RE3 plant (UK)	—	30,560	Reading, Bracknell Forest and Workingham councils	Fixed amount plus variable amount per tonne
Manises plant (Valencia, Spain)	—	25,169	Metropolitan Waste Treatment Entity	Fixed amount plus variable amount per tonne
Wrexham I plant (UK)	—	24,005	Wrexham County Borough Council	Fixed amount plus variable amount per tonne
Wrexham II plant (UK)	—	20,011	Wrexham County Borough Council	Fixed amount plus variable amount per tonne
Other arrangements	52,871	2,135		
Total FCC Group	**1,334,882**	**163,717**		

	Carrying amount at 31 December 2016			
	Intangible assets	Financial assets	Concession grantor	Collection mechanism
Water services	**790,260**	**—**		
Jerez de la Frontera (Cádiz, Spain)	86,827	—	Jerez de la Frontera Municipal Council	User - based on use
Adeje (Tenerife, Spain)	57,716	—	Adeje Municipal Council	User - based on use
Santander (Cantabria, Spain)	49,373	—	Santander Municipal Council	User - based on use
Lleida (Spain)	43,136	—	Lleida Municipal Council	User - based on use
Caltanisetta (Italy)	40,517	—	Consorzio Ambito Territoriale Ottimale	User - based on use
Vigo (Pontevedra, Spain)	27,927	—	Vigo Municipal Council	User - based on use
Badajoz (Spain)	29,492	—	Badajoz Municipal Council	User - based on use
Oviedo (Asturias, Spain)	24,433	—	Oviedo Municipal Council	User - based on use
Other arrangements	430,839	—		
Motorways and tunnels	**323,390**	**—**		
Coatzacoalcos underwater tunnel (Mexico)	234,961	—	Government of the State of Veracruz	User-paid direct toll
Autovía Conquense (Spain)	88,429	—	Ministry of Public Works	Shadow toll
Other	**237,041**	**124,309**		
Buckinghamshire plant (UK)	170,890	9,362	Buckinghamshire County Council	Fixed amount plus variable amount per tonne
Campello plant (Alicante, Spain)	36,418	—	Autonomous Community of Valencia Consortium for Plan for Zone XV [Consorcio Plan Zonal XV de la Comunidad Valenciana]	Based on tonnes treated
RE3 plant (UK)	—	32,210	Reading, Bracknell Forest and Workingham councils	Fixed amount plus variable amount per tonne
Wrexham I plant (UK)	—	25,529	Wrexham County Borough Council	Fixed amount plus variable amount per tonne
Wrexham II plant (UK)	—	21,641	Wrexham County Borough Council	Fixed amount plus variable amount per tonne
Manises plant (Valencia, Spain)	—	26,230	Entidad Metropolitana para el Tratamiento de Residuos	Fixed amount plus variable amount per tonne
Other arrangements	29,733	9,337		
Total FCC Group	**1,350,691**	**124,309**		

"Water Services" activities are characterised by the high number of arrangements, the most significant of which are detailed in the foregoing table. The core activity covered by the arrangements is end-to-end water management, including the capture, transportation and treatment of water and its distribution to urban centres -using the distribution networks and complex drinking water treatment facilities- and also the capture and purification 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. However, in order to ensure the recovery of the concession operator's investment, the arrangements normally include regular price revision clauses in which future prices are established on the basis of consumption in previous periods and other variables such as inflation. 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.

Since in substantially all of the fully consolidated arrangements the amount collected depends on the extent to which the service is used and since the amount is therefore variable, the demand risk is borne by the concession operator and the arrangements are accounted for as intangible assets. In some cases, including certain desalination plants, the amount collected depends on the volume of water effectively desalinated, and the grantor guarantees a minimum amount regardless of volume; accordingly, since the revenue collected is a fixed amount and the grantor therefore bears the demand risk, the aforementioned guaranteed amounts are accounted for as financial assets.

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 and, therefore, as the concession operator bears the demand risk, they are accounted for as intangible assets. 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. In these cases, as the grantor bears the demand risk, they are accounted for as financial assets. The arrangements 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 arrangements 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.

"Other" includes mainly construction, operation and maintenance arrangements for waste treatment facilities in both Spain and the UK. The contracts include price revision clauses based on a number of variables such as inflation, energy costs and payroll costs. In order to classify the concession arrangements as intangible assets or financial assets, they were analysed to determine which party to the arrangement bears the demand risk. Arrangements in which the billings are determined solely according to the fixed amount and a variable amount based on the volume of tonnes treated, given that the latter is residual and the cost of the construction services is substantially covered by the fixed amount, the entire concession was considered as a financial asset, except in the case of the Buckinghamshire plant, in which the intangible component is very significant and which, therefore, is accounted for using the bifurcated model. With regard to the Buckinghamshire plant, in 2016, under the conditions of the contract, the sum of EUR 219,571 thousand was received from the conceding entity for construction services rendered. The operations phase remains pending, for which earnings for services rendered will also be received. As this case is a mixed model, receipts were distributed among the component parts, with EUR 63,344 thousand corresponding to the financial part and EUR 156,227 thousand to the intangible part. Consequently, the receipt corresponding to the financial part was recorded as a reduction in the value of the financial asset, whereas the receipt attributed to the intangible part has been recorded as a liability under "Other non-current liabilities" (Note 21). As a result, the receipt of the financial part was recorded in the enclosed cash-flow statement as a disinvestment under “Other financial assets”, whereas the receipt corresponding to the intangible part was recorded under “Changes in current capital”.

It should also be noted that under the concession arrangements the concession operators in which the Group holds ownership interests are obliged to purchase or construct, during the term of the concession, property, plant and equipment items assigned to concessions amounting to EUR 295,051 thousand at 31 December 2017 (31 December 2016: EUR 248,517 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:

	2017	2016
Joint ventures	**145,753**	**140,948**
Value of the investment	1,805	(3,574)
Loans	143,948	144,522
Associates	**504,887**	**528,054**
Value of the investment	359,142	380,851
Loans	145,745	147,203
	650,640	**669,002**

The negative sum noted in 2016 in the value of joint-business investment refers to entities where the sum of the investment, calculated as the equity percentage corresponding to the Group, is negative (mostly owing to losses incurred by the entity) to which the parent has granted credits for the same or a higher amount. Such that the value of the total investment over the entity is positive.

Following is a detail of the changes in the long-term loans included in the value of the investments in companies accounted for using the equity method:

	Balance at 31.12.2016	Additions	Disposals	Translation differences and other changes	Balance at 31.12.2017
Joint ventures	**144,522**	**10,566**	**(2,052)**	**(9,088)**	**143,948**
OHL CO. Canada & FCC Canada Ltd. Partnership	70,530	1,080	—	(4,033)	67,577
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	33,387	—	—	(2,413)	30,974
Proyecto Front Marítim, S.L.	7,865	5,638	—	—	13,503
North Tunnels Canada Inc.	9,013	—	—	(515)	8,498
Aguas de Langreo, S.L.	4,817	—	—	(366)	4,451
Aguas de Narixa, S.A.	4,746	793	—	(176)	5,363
Empresa Municipal Aguas de Benalmádena, S.A.	6,259	—	—	(762)	5,497
Zabalgarbi, S.A.	2,052	—	(2,052)	—	—
Other	5,853	3,055	—	(823)	8,085
Sociedades asociadas	**147.203**	**1.219**	**(2)**	**(2.675)**	**145.745**
Concessió Estacions Aeroport L9, S.A.	57.005	—	—	—	57.005
Construcción de Infraestructuras de Aguas de Potosí, S.A. de C.V.	5.396	—	—	—	5.396
N6 (Construction) Limited	39.447	—	—	—	39.447
Cleon, S.A.	7.899	12	—	—	7.911
Aquos El Realito, S.A. de C.V.	6.808	—	—	(492)	6.316
Aguas del Puerto Empresa Municipal, S.A.	9.900	1.000	—	(500)	10.400
Baross Ter Kft	2	—	(2)	—	—
Resto	20.746	207	—	(1.683)	19.270
	291.725	**11.785**	**(2.054)**	**(11.763)**	**289.693**

	Balance at 31.12.2015	Additions	Disposals	Translation differences and other changes	Balance at 31.12.2016
Joint ventures	**144,119**	**5,059**	**(788)**	**(3,868)**	**144,522**
OHL CO. Canada & FCC Canada Ltd. Partnership	63,931	2,425	—	4,174	70,530
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	38,432	—	—	(5,045)	33,387
Proyecto Front Marítim, S.L.	6,695	—	—	1,170	7,865
North Tunnels Canada Inc.	8,461	—	—	552	9,013
Aguas de Langreo, S.L.	5,183	—	—	(366)	4,817
Aguas de Narixa, S.A.	4,900	—	—	(154)	4,746
Empresa Municipal Aguas de Benalmádena, S.A.	7,749	—	—	(1,490)	6,259
Other	8,768	2,634	(788)	(2,709)	7,905
Associates	**166,160**	**4,851**	**(2,730)**	**(21,078)**	**147,203**
Concessió Estacions Aeroport L9, S.A.	57,005	—	—	—	57,005
Construcción de Infraestructuras de Aguas de Potosí, S.A. de C.V.	11,135	555	(142)	(6,152)	5,396
N6 (Construction) Limited	41,797	—	(2,350)	—	39,447
Teide Gestión Sur, S.L.	10,564	—	—	(10,564)	—
Cleon, S.A.	7,884	15	—	—	7,899
Aquos El Realito, S.A. de C.V.	7,837	—	—	(1,029)	6,808
Aguas del Puerto Empresa Municipal, S.A.	6,811	4 thousand	—	(911)	9,900
Other	23,127	281	(238)	(2,422)	20,748
	310,279	**9,910**	**(3,518)**	**(24,945)**	**291,726**

a) Joint ventures

The breakdown of the joint ventures by company is presented in Appendix II to these consolidated financial statements.

The changes in 2017 and 2016 were as follows:

	Balance at 31.12.2016	Profit (Loss) for the year	Dividends paid	Changes in fair value of financial instruments recognised in reserves	Purchases	Sales	Translation differences and other changes	Changes in loans granted	Balance at 31.12.2017
Orasqualia for the Development of the Waste Treatment Plant S.A.E.	8,976	799	8	—	—	—	(1,080)	(5)	8,698
Sociedad Concesionaria Tranvía de Murcia, S.A.	19,626	1,231	—	—	—	—	1	341	21,199
Mercia Waste Management Ltd.	14,855	6,032	(2,739)	—	—	—	(595)	—	17,553
Zabalgarbi, S.A.	15,442	2,352	—	(966)	—	—	1	(2,052)	14,777
Atlas Gestión Medioambiental, S.A.	12,557	467	(875)	—	—	—	—	—	12,149
Empresa Municipal de Aguas de Benalmádena, S.A.	7,841	338	(201)	(71)	—	—	(1)	(762)	7,144
Ibisan Sociedad Concesionaria, S.A.	6,165	849	(1,138)	777	—	—	1	—	6,654
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	1	(495)	—	—	—	—	2,909	(2,413)	2
OHL CO. Canada & FCC Canada Ltd. Partnership	–	503	—	—	—	—	2,450	(2,953)	—
Other	55,485	235	(2,256)	(1,868)	—	(2)	(1,287)	7,270	57,577
Total joint ventures	**140,948**	**12,311**	**(7,201)**	**(2,128)**	**—**	**(2)**	**2,399**	**(574)**	**145,753**

	Balance at 31.12.2015	Profit (Loss) for the year	Dividends paid	Changes in fair value of financial instruments recognised in reserves	Purchases	Sales	Translation differences and other changes	Changes in loans granted	Balance at 31.12.2016
Orasqualia for the Development of the Waste Treatment Plant S.A.E.	19,852	1,531	(855)	—	—	—	(11,513)	(39)	8,976
Sociedad Concesionaria Tranvía de Murcia, S.A.	19,197	69	—	—	—	—	(1)	361	19,626
Mercia Waste Management Ltd.	14,804	2,226	—	—	—	—	(2,175)	—	14,855
Zabalgarbi, S.A.	13,931	1,014	—	497	—	—	—	—	15,442
Atlas Gestión Medioambiental, S.A.	12,905	550	(897)	—	—	—	(1)	—	12,557
Empresa Municipal de Aguas de Benalmádena, S.A.	9,684	272	(568)	(57)	—	—	—	(1,490)	7,841
Ibisan Sociedad Concesionaria, S.A.	9,053	611	(3,659)	161	—	—	(1)	—	6,165
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	6,928	(9,720)	—	—	—	—	7,838	(5,045)	1
OHL CO. Canada & FCC Canada Ltd. Partnership	1,663	(14,629)	—	—	—	—	6,366	6,600	—
Other	59,461	20,733	(18,323)	(148)	—	(963)	(5,291)	16	55,485
Total joint ventures	**167,478**	**2,657**	**(24,302)**	**453**	**—**	**(963)**	**(4,778)**	**403**	**140,948**

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 2017 and 2016:

	2017	2016
Non-current Assets	367,457	383,046
Current assets	185,575	188,333
Non-current liabilities	369,546	369,099
Current liabilities	224,152	241,471
Profit or loss		
Revenue	204,341	196,593
Operating income	18,913	(3,075)
Profit (loss) before tax	15,622	5,411
Profit (Loss) attributable to the Parent	12,311	2,657

The core activities carried on by the joint ventures consist of the operation of concessions relating to, inter alia, motorways, end-to-end water management, urban waste handling activities, tunnels and passenger transport.

Guarantees amounting to EUR 12,320 thousand (2016: EUR 9,224 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 bonds in the Group's various business areas. There are no significant obligations or other contingent liabilities relating to joint ventures.

The joint ventures which the Group accounts for using the equity method are generally public and private limited liability companies and, accordingly, as they are joint ventures, distributions of funds to their respective parents requires the consent of the other venturers that exercise joint control in accordance with the mechanisms established by their company resolutions.

b) Associates

The detail of the associates accounted for using the equity method is presented in Appendix III to these consolidated financial statements.

The changes in 2017 and 2016 were as follows:

	Balance at 31.12.2016	Profit (Loss) for the year	Dividends paid	Changes in fair value of financial instruments recognised in reserves	Purchases	Sales	Translation differences and other changes	Changes in loans granted	Balance at 31.12.2017
Realia Business Group	206,032	3,807	—	(89)	—	—	(343)	—	209,407
Concessió Estacions Aeroport L9, S.A.	47,097	11,916	(6,790)	5,473	—	—	(1)	—	57,695
Cleon, S.A.	32,796	(60)	—	—	—	—	—	12	32,748
Shariket Tahlya Miyah Mostaganem SPA	32,464	4,179	—	—	—	—	(5,395)	—	31,248
Cedinsa Group	12,853	7,570	(6,188)	5,797	—	—	(20,032)	—	—
Metro de Lima Línea 2, S.A.	23,124	924	—	—	—	—	(2,750)	—	21,298
Aquos El Realito, S.A. de C.V.	12,691	352	—	—	—	—	(458)	(492)	12,093
Suministro de Agua de Querétaro, S.A. de C.V.	9,213	1,246	(1,572)	—	—	—	(728)	—	8,159
Aguas del Puerto Empresa Municipal, S.A.	13,760	(368)	—	435	—	—	—	500	14,327
Shariket Miyeh Ras Djinet SPA	12,178	1,205	—	—	—	—	(1,990)	—	11,393
Lázaro Echevarría, S.A.	8,806	(369)	—	235	—	—	(35)	—	8,637
Tirme Group	4,456	3,007	(2,239)	—	—	—	—	—	5,224
.A.S.A. Group	5,859	1,526	(913)	—	—	(53)	(9)	—	6,410
Hormigones y Áridos del Pirineo Aragonés, S.A.	5,975	344	(175)	—	—	—	(80)	—	6,064
Aigües del Segarra Garrigues, S.A.	6,388	844	(1,157)	—	—	—	—	—	6,075
N6 (Construction) Limited	1,035	—	—	—	—	—	—	—	1,035
Giant Cement Holding, Inc.	48,866	(7,510)	—	—	—	—	(7,585)	—	33,771
Other	44,461	(6,639)	(325)	4,002	31	(440)	(309)	(1,478)	39,303
Total associates	**528,054**	**21,974**	**(19,359)**	**15,853**	**31**	**(493)**	**(39,715)**	**(1,458)**	**504,887**

	Balance at 31.12.2015	Profit (Loss) for the year	Dividends paid	Changes in fair value of financial instruments recognised in reserves	Purchases	Sales	Translation differences and other changes	Changes in loans granted	Balance at 31.12.2016
Realia Business Group	120,189	31,568	—	—	54,422	—	(147)	—	206,032
Concessió Estacions Aeroport L9, S.A.	40,097	11,960	(4,991)	31	—	—	—	—	47,097
Cleon, S.A.	32,833	(11)	—	—	—	—	(1)	(25)	32,796
Shariket Tahlya Miyah Mostaganem SPA	28,090	4,007	—	—	—	—	367	—	32,464
Cedinsa Group	20,664	5,535	(5,392)	(7,954)	—	(2)	2	—	12,853
Metro de Lima Línea 2, S.A.	17,413	2,235	—	—	—	—	3,476	—	23,124
Metro de Málaga, S.A.	13,673	—	—	—	—	(13,673)	—	—	—
Aquos El Realito, S.A. de C.V.	12,746	353	—	1,284	—	—	(663)	(1,029)	12,691
Suministro de Agua de Querétaro, S.A. de C.V.	11,019	1,355	(1,618)	—	—	—	(1,543)	—	9,213
Aguas del Puerto Empresa Municipal, S.A.	10,619	(434)	—	487	—	—	(1)	3,089	13,760
Shariket Miyeh Ras Djinet SPA	10,371	1,664	—	—	—	—	143	—	12,178
Lázaro Echevarría, S.A.	9,322	(469)	—	(47)	—	—	—	—	8,806
Tirme Group	8,358	1,942	(5,845)	—	—	—	1	—	4,456
.A.S.A. Group	5,780	1,112	(1,016)	(20)	—	—	3	—	5,859
Hormigones y Áridos del Pirineo Aragonés, S.A.	5,725	400	(150)	—	—	—	—	—	5,975
Aigües del Segarra Garrigues, S.A.	6,001	388	—	—	—	—	(1)	—	6,388
N6 (Construction) Limited	3,381	4	—	—	—	—	—	(2,350)	1,035
Giant Cement Holding, Inc.	—	(4,570)	—	—	—	—	53,436	—	48,866
Other	63,208	(4,194)	(920)	(953)	2	(7,295)	13,255	(18,642)	44,461
Total associates	**419,489**	**52,845**	**(19,932)**	**(7,172)**	**54,424**	**(20,970)**	**68,327**	**(18,957)**	**528,054**

The above chart includes, in the "Translation differences and other changes" column, the transfer to non-current assets classified as held for sale at the Cedinsa group of EUR 20,032 thousand (Notes 4 and 5). 2016 includes under "Purchases" the impact of the capital increase at Realia Business S.A., in the column Sales the disposal of Metro de Málaga S.A., and in the "Translation differences and other changes" column the effect of the inclusion of Giant Cement Holding Inc., mentioned above.

2016 also includes the result recorded for the Realia Business holding, mostly due to the haircuts granted in the process to refinance its financial debt and the provision of impairment of property inventories.

The detail of the assets, liabilities, revenue and results for 2017 and 2016 of the associates, in proportion to the percentage of ownership held in each associate, is as follows:

	2017	2016
Non-current Assets	1,633,777	1,702,643
Current assets	404,120	380,017
Non-current liabilities	1,574,900	1,527,953
Current liabilities	274,684	365,726
Revenue	424,017	398,742
Operating income	92,776	84,488
Profit (loss) before tax	35,594	66,062
Profit (Loss) attributable to the Parent	21,974	52,845

It should be noted that the value of the ownership interest in the Realia Business Group, based on its market value at 31 December 2017, amounted to EUR 261,903 thousand, (31 December 2016: EUR 204,761 thousand), higher than its carrying amount and that no dividends were distributed in 2017 or 2016. Following, due to its importance, is the summarised financial information of the Realia Group at 31 December 2017 and 2016, after uniformity adjustments to bring it into line with the accounting policies applied by the Group (the investments in the Realia Group is accounted for using the equity method):

Balance

	2017	2016
Non-current Assets	**1,017,311**	**1,009,465**
Current assets	**432,636**	**519,755**
Cash and cash equivalents	85,075	101,130
Other current assets	347,561	418,625
TOTAL ASSETS	**1,449,947**	**1,529,220**
Equity	**619,567**	**610,627**
Equity attributable to the Parent	**491,393**	**482,179**
Share capital	154,754	154,754
Reserves	328,948	243,662
Treasury shares	(675)	(675)
Profit (Loss) attributable to the Parent	10,259	85,407
Valuation adjustments	(1,893)	(969)
Non-controlling interests	**128,174**	**128,448**
Non-current liabilities	**623,381**	**199,415**
Non-current financial liabilities	584,444	157,585
Other non-current liabilities	38,937	41,830
Current liabilities	**206,999**	**719,178**
Non-current financial liabilities	180,372	695,825
Other non-current liabilities	26,627	23,353
TOTAL EQUITY AND LIABILITIES	**1,449,947**	**1,529,220**

Income statement

	2017	2016
Revenue	**83,492**	**79,834**
Other income	**17,216**	**16,900**
Operating expenses	(55,451)	(93,616)
Depreciation and amortisation charge	(12,618)	(14,313)
Other operating expenses	2,457	(13)
Operating income	**35,096**	**(11,208)**
Finance income	557	114,105
Finance costs	(14,797)	(8,185)
Other net finance income and costs	(1,949)	84
Financial profit (loss)	**(16,189)**	**106,004**
Result of companies accounted for using the equity method	1,486	(3,248)
Net impairment on non-current assets	—	—
Profit (Loss) before tax from continuing operations	**20,393**	**91,548**
Income tax	(3,631)	(2,670)
Profit (Loss) for the year from continuing operations	**16,762**	**88,878**
Profit (Loss) from discontinued operations	—	—
PROFIT (LOSS) FOR THE YEAR	**16,762**	**88,878**
Profit (Loss) attributable to the Parent	10,259	85,407
Profit (Loss) attributable to non-controlling interests	6,503	3,471

It should be noted that uniformity adjustments were made to the foregoing financial statements of the Realia Group in order to account for it using the equity method in these consolidated financial statements, since the Realia Group applies the option allowed under IAS 40 “Investment Property” of measuring its investment property at fair value, an accounting policy not applied by the FCC Group.

13 Joint arrangements. Joint operation

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 income statement, in proportion to the ownership interest held therein, at 31 December 2017 and 2016.

	2017	2016
Non-current Assets	176,488	190,973
Current assets	1,430,648	1,532,810
Non-current liabilities	63,641	61,379
Current liabilities	1,454,293	1,532,258
Profit or loss		
Revenue	1,551,582	1,719,585
Gross profit (loss) from operations	130,422	168,238
Net profit (Loss) from operations	106,343	132,507

At 2017 year-end the property, plant and equipment purchase commitments entered into directly by the joint arrangements amounted to EUR 3,531 thousand (2016: EUR 66 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 1,428,806 thousand (2016: EUR 1,603,290 thousand) were provided, mostly to Government Agencies and private customers, for joint arrangements managed jointly with non-Group third parties as performance bonds for 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:

a) Non-current financial assets

The detail of the non-current financial assets at 31 December 2017 and 2016 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
2017						
Equity instruments	–	29,168	–	–	–	29,168
Debt securities	–	–	–	1,205	–	1,205
Derivatives	–	–	–	–	438	438
Other financial assets	3,731	–	292,011	1,821	–	297,563
	3,731	29,168	292,011	3,026	438	328,374
2016						
Equity instruments	–	31,636	–	–	–	31,636
Debt securities	–	–	–	601	–	601
Derivatives	30	–	–	–	1,185	1,215
Other financial assets	3,731	–	281,426	3,643	–	288,800
	3,761	31,636	281,426	4,244	1,185	322,252

In 2017 there were no significant movements under these headings.

2016 included the sale operation at Xfera Móviles S.A. and the transfer of participatory loans granted by Fomento de Construcciones y Contratas S.A. to the company Más Móvil Phone & Internet S.A.U., as a result of which the Group received a guarantee of EUR 24,285 thousand, recorded under current financial assets as at 31 December 2016. On 7 February 2017 the operation was finally closed with a final sum collected by the Group of EUR 29,139 thousand.

a.1) Available-for-sale financial assets

Breakdown of the balance at 31 December 2017 and 2016:

	Effective percentage of	Fair value
2017		
Ownership interests of 5% or more:		
World Trade Center Barcelona, S.A.	16.52%	6,036
Vertederos de Residuos, S.A.	16.03%	10,817
Consorcio Traza, S.A.	16.60%	8,624
Other	–	2,509
Ownership interests of less than 5%:		
Other	–	1,182
		29,168
2016		
Ownership interests of 5% or more:		
World Trade Center Barcelona, S.A.	16.52%	6,036
Vertederos de Residuos S.A.	16.03%	10,817
Consorcio Traza, S.A.	16.60%	8,624
Other	–	3,266
Ownership interests of less than 5%:		
Other	–	2,893
		31,636

a.2) Loans and receivables

The scheduled maturities of the loans and accounts receivable by the Group companies from third parties are as follows:

	2019	2020	2021	2022	2023	Total
Deposits and guarantees	4,169	1,308	276	165	52,132	58,050
Non-trade loans	15,761	14,513	11,407	12,311	46,978	100,970
Non-current collection rights - concession arrangement (Notes 3.a and 11)	8,101	8,169	8,242	8,318	100,161	132,991
	28,031	**23,990**	**19,925**	**20,794**	**199,271**	**292,011**

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 2017 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.

b) Other current financial assets

The detail of “Other current financial assets” at 31 December 2017 and 2016 is as follows:

	Financial assets at fair value through profit or loss	Loans and receivables	Held-to-maturity investments	Total
2017				
Debt securities	–	–	29	29
Deposits and guarantees given	–	63,598	–	63,598
Other financial assets	202	93,435	1,305	94,942
	202	**157,033**	**1,334**	**158,569**
2016				
Debt securities	–	–	43	43
Deposits and guarantees given	–	43,044	—	43,044
Other financial assets	106,040	113,293	1,306	220,639
	106,040	**156,337**	**1,349**	**263,726**

“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 to, and other receivables from, joint ventures and associates amounting to EUR 17,460 thousand (2016: EUR 17,205 thousand), loans to third parties amounting to EUR 32,512 thousand (2016: EUR 63,244 thousand), deposits at banks amounting to EUR 5,656 thousand (2016: EUR 6,143 thousand) and accounts receivable for concession services (financial asset model) amounting to EUR 30,726 thousand (2016: EUR 19,250 thousand).

The reduction seen under “Other financial assets” mostly corresponds to the collection during the first quarter of 2017 of the sum outstanding from the sale of Globalvia Infraestructuras S.A., which was completed in 2016 for EUR 106,444 thousand, registered in 2016 under “Financial assets at fair value with changes in profit and loss” (Notes 4 and 5), together with EUR 29,139 thousand collected for the sale of Xfera Móviles mentioned above, registered in 2016 under “Loans and receivables”.

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" at 31 December 2017 and 2016 is as follows:

	2017		2016	
Property assets		298,095		302,655
Raw materials and other supplies		152,801		171,047
Construction	68,925		76,581	
Cement	53,295		58,956	
End-to-End Water Management	13,019		14,493	
Environmental Services	17,388		19,935	
Corporate	174		1,082	
Finished goods		18,395		12,678
Advances		100,336		95,247
		569,627		**581,627**

"Property Assets" includes building lots earmarked for sale that were acquired by the 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 18,250 thousand (2016: EUR 4,500 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 is as follows:

	2017	2016
Properties in Tres Cantos (Madrid)	120,144	117,181
Properties in Sant Joan Despí (Barcelona)	44,442	42,757
Properties in Badalona (Barcelona)	14,729	14,729
Residential development - Pino Montano (Sevilla)	11,406	12,061
Las Mercedes property (Madrid)	7,016	10,627
Residential development - Vitoria (Alava)	1,668	4,246
Other properties and developments	98,690	101,054
	298,095	**302,655**

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 real estate inventory write-down of EUR 10,371 thousand was recognised in 2017 (2016: EUR 2,028 thousand), and the total accumulated write-down amounted to EUR 197,859 thousand (31 December 2016: EUR 187,587 thousand).

At 2017 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 2017, there were no material differences between the fair value and the carrying amount of the assets recognised.

16 Trade, other receivables and other current assets

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 2017 and 2016 is as follows:

	2017	2016
Progress billings receivable and trade receivables for sales	769,174	728,419
Amounts to be filled for work performed	571,258	582,174
Retentions	39,539	32,072
Production billed to associates and jointly controlled entities	77,688	74,434
Trade receivables for sales and services	1,457,659	1,417,099
Advanced received on orders (Note 22)	(624,964)	(709,704)
Total net balance of trade receivables for sales and services	**832,695**	**707,395**

The foregoing total is the net balance of trade receivables, after considering the adjustments for the risk of doubtful debts amounting to EUR 327,258 thousand (31 December 2016: EUR 333,320 thousand) and after deducting the balance of "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.

The detail of the past due trade receivables is as follows:

	2017	2016
Construction	53,496	62,854
Environmental Services	304,764	318,696
Water Activity	55,127	58,476
Corporate	3,683	3,683
TOTAL	**417,070**	**443,709**

It should be noted that the foregoing amounts constitute all of the Group's past due financial assets, as there are no significant past due financial receivables. All matured balances that have not been settled by the counterparty are considered to be past due; however, it should be taken into account that in view of the different characteristics of the various industries in which the FCC Group operates, although certain assets are past due, there is no default risk, mainly in the Environmental Services industry, as most of its customers are public-sector customers from which the corresponding late-payment interest arising from collection delays may be claimed.

The following should be noted, in relation to the balances included in the foregoing table:

- **Construction:** Given the nature of the business and the fact that in certain construction contracts a long period of negotiation may take place between the date of initial billing to that of final acceptance by the customer, the foregoing balances include certain trade receivables, most of which are not more than 36 months old.
- **Environmental Services:** In general, except in the case of certain receivables from Spanish Municipal Councils, there are no significant balances more than one year old which have not been written down. The cases lasting longer than one year with no impairment recorded are specific situations that the Company's management believes may reasonably be expected to be received.
- **Aqualia:** In the Water activity, there are no significant trade receivable balances that are more than two years old; 50% of the balances shown in the table above are less than six months old.

"Progress billings receivable and trade receivables for sales" mainly reflects the amount of the progress billings to customers for completed work amounting to EUR 217,204 thousand (31 December 2016: EUR 226,712 thousand) and services amounting to EUR 551,970 thousand (31 December 2016: EUR 501,707 thousand), not yet collected as at the consolidated balance sheet date. In general, they involve no litigation.

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".

The heading "Production pending certification" includes completed works pending certification corresponding to construction contracts performed by the Group, totalling EUR 274,454 thousand (31 December 2016: EUR 328,596 thousand). This balance includes the following types:

– Differences between production completed, valued at the sale price, and certification to date under the relevant contract, totalling EUR 138,091 thousand (31 December 2016: EUR 218,798 thousand). In other words, production recognised according to the degree of completion arising out of differences between the time when works production is completed, under the contract entered into with the client, and the time when the client certifies it.

– Changes totalling EUR 54,538 thousand (31 December 2016: EUR 52,469 thousand). Includes production being negotiated with clients because it corresponds to adjustments to scope, changes or new works in addition to those covered by the original contract.

– Claims totalling EUR 81,825 thousand (31 December 2016: EUR 57,329 thousand). Includes production recognised for claims that have arisen, whether litigation has been settled or is still in dispute, either because no agreement has been reached with the client or because the contract provides that arbitration is the method to be used for amendments to the original contract. Production recognised as income only when, based on internal and external reports, the claim is expected to result in the receipt of the sums recognised, without recording any additional income once litigation begins.

Also, the heading "Production pending certification" includes services rendered in the Environment and Water divisions that are billed over periods of longer than one month, basically corresponding to work done in the normal course of business, totalling EUR 235,547 thousand (31 December 2016: EUR 195,984 thousand). Also included, although to a lesser extent, is income corresponding to forecast price reviews in current contracts, totalling EUR 60,771 thousand (31 December 2016: EUR 57,449 thousand). Inasmuch as these are claimable, their accounting maintenance is assessed only if supported by internal or external reports estimating that the claims will result in collections.

At 2017 year-end trade receivables amounting to EUR 289,876 thousand had been factored to financial institutions without recourse against the Group companies in the event of default (31 December 2016: EUR 390,388 thousand). The reduction in this balance in 2017 is due to a decline in use during the year. The impact of credit assignments on cash and bank is recorded under "Changes in current capital" on the cash-flow statement. This amount was deducted from the balance of "Progress Billings Receivable and Trade Receivables for Sales". Also, the Group sold EUR 25,939 thousand of future collection rights arising from construction contracts awarded under the "lump-sum payment" system (31 December 2016: EUR 12,730 thousand). This amount was deducted from the balance of "Progress billings receivable and trade receivables for sales".

b) Other receivables

The detail of “Other Receivables” at 31 December 2017 and 2016 is as follows:

	2017	2016
Public Administrations - VAT refundable (Note 24)	74,046	93,165
Public Administrations - Other tax receivables (Note 24)	51,264	49,313
Other receivables	109,187	121,961
Advances and loans to employees	3,004	3,170
Current tax assets (Note 24)	26,954	6,099
Total other receivables	**264,455**	**273,708**

c) Other current assets

“Other current assets” includes mostly sums paid by the Group under certain services contracts that have not been recorded as expenses in the enclosed income statement as they had not fallen due by the closing date of these annual financial statements.

17 Cash and cash equivalents

The signing on 26 June 2014 of the syndicated agreement (Note 20) 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 subsidiaries within the financing scope headed by the group’s parent, Fomento de Construcciones y Contratas, S.A., 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 2017 and 2016 these balances earned interest at market rates.

The detail, by currency, of cash and cash equivalents in 2017 and 2016 is as follows:

	2017	2016
Euro	699,320	497,004
US dollar	342,973	379,613
Pound sterling	82,989	114,907
Czech koruna	24,937	24,743
Other European currencies	4,532	14,195
Latin America (various currencies)	27,739	43,587
Other	55,765	72,036
Total	**1,238,255**	**1,146,085**

18 Equity

The accompanying consolidated statements of changes in equity for the years ended 31 December 2017 and 2016 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 4 March 2016 the public deed was recorded at the Barcelona Commercial Registry in respect of the increase of the capital of Fomento de Construcciones y Contratas, S.A., as agreed by the board of directors on 17 December 2015, in the framework of the authorisation granted by the shareholders at the Annual General Meeting held on 25 June 2015 (up to 50% increase). This capital increase was effected with monetary contributions for a total cash amount of EUR 709,518,762 by issuing 118,253,127 new ordinary shares for a unit price of EUR 6 (par value of EUR 1), which were admitted to listing on the Spanish Stock Market Interconnection System on 7 March 2016. The increase was effected with a share premium of EUR 5 per share issued, resulting in an increase in the share premium of EUR 589,595 thousand after deducting the costs of the increase after tax (EUR 1,671 thousand).

The funds obtained from the capital increase were used in part for the discounted buy-back (Dutch auction) of debt corresponding to Tranche B of the financial debt of Fomento de Construcciones y Contratas S.A., as regulated under the refinancing contract, totalling EUR 386,443 thousand after deducting a haircut of EUR 58,082 thousand. Also, EUR 289,495 thousand was allocated to financially supporting the subsidiary Cementos Portland Valderrivas S.A., with the remainder being used for corporate purposes, including the exercise of the preference subscription right for capital increases at Realia Business S.A. (EUR 87,301 thousand) (Note 5).

The details of the impact on equity of the capital increase of Fomento de Construcciones y Contratas S.A. performed in 2016 are shown in the following chart:

Share capital increase	118,253
Share capital	**118,253**
Issue premium increase	591,266
Expenses incurred in the capital increase, net of tax	(1,671)
Share Premium	**589,595**
Profit from haircut	58,082
Tax effect	(14,521)
Profit (Loss) for the year	**43,561**
Total impact on Equity	**751,409**

a) Share capital

Once the increase had been effected, the share capital of Fomento de Construcciones y Contratas, S.A. consists of 378,825,506 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 publicly listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges and are traded through the Spanish Stock Market Interconnection System (Ongoing Market).

With regard to share capital of over 10% owned by other companies either directly or through their subsidiaries, according to information furnished, Inversora Carso S.A. de C.V., which is in turn controlled by the Slim family, had a 61.11% ownership interest in the share capital directly or indirectly at the date of authorisation for issue of these financial statements. Samede Inversiones 2010 S.L. also has an indirect ownership interest of 15.44% in the share capital and the company Nueva Samede 2016 S.L.U. (Nueva Samede) holds a direct stake of 4.53%. Nueva Samede) holds a direct stake of 4.53%, these two companies are controlled by Esther Koplowitz Romero de Juseu (100%).

Ms Esther Koplowitz Romero de Juseu also directly owns 123,313 shares of Fomento de Construcciones y Contratas S.A.

On 27 November 2014, the two main shareholders signed the "Investment Agreement" whereby both parties undertook not to increase their individual ownership interest in Fomento de Construcciones y Contratas S.A. to above 29.99% of the voting share capital for a period of four years. Subsequently, on 5 February 2016, the aforementioned shareholders signed an amended, non-terminating renewal contract in respect of the agreement. The main features of this renewal were as follows:

– The inclusion of Nueva Samede, a company associated with Esther Koplowitz Romero de Juseu, in the agreement, as a new shareholder of Fomento de Construcciones y Contratas S.A. (FCC) following the new capital increase.

– Amendment of FCC's corporate governance arrangements regarding share transfers in the event that, as a result of the new capital increase and subscription undertaking Control Empresarial de Capitales S.A. de C.V. (CEC) and/or the Guarantor, Inversora Carso, S.A. de C.V. (Carso) should exceed 29.99% of the capital with voting rights or should acquire control of FCC, and the elimination of the provision regarding the parties' maximum stakes in the Company's capital.

– Amendments to FCC's articles of association and the make-up of the board of directors, if CEC and/or Carso should reach a percentage of voting rights that is equal to or greater than 30% or should in any other way acquire control of the Company.

Also, on 5 February 2016, Esther Koplowitz Romero de Juseu, Dominum Dirección y Gestión S.A. and Nueva Samede 2016 S.L.U entered into an agreement for the "Sale and Purchase of Subscription Rights in the New Capital Increase and Other Supplementary Agreements". The main features of this agreement referred to: (i) establishing the terms and conditions to govern the transfer of preference subscription rights in the capital increase effected by Esther Koplowitz and Dominum Dirección y Gestión S.A. to Nueva Samede S.L.U.; (ii) the subsequent exercise of those rights by Nueva Samede; and (iii) regulation of the undertaking made by Inversora Carso S.A. (as the financier) to finance Nueva Samede in the acquisition of the preference subscription rights and paying-up of the shares resulting from the capital increase.

On 4 March 2016 CEC announced the launch of an OPA for Fomento de Construcciones y Contratas S.A., as its parent, Carso, achieved a percentage of directly or indirectly attributable voting rights of 36.595% (29.558% owned and 7.036% by attribution of Nueva Samede's holding). The bid referred to 100% of the Company's share capital at a price of EUR 7.6 per share. The request was filed at the Spanish Stock Market Commission (CNMV) on 5 April 2016 and accepted for processing by the CNMV on 18 April 2016. Finally, on 22 July 2016, the CNMV communicated that the OPA was accepted for 97,211,135 shares, representing 25.66% of the share capital (48.30% of the shares targeted).

On 1 July 2016 the transfer from Nueva Samede to Inversora Carso S.A. De C.V. of 9,454,167 ordinary shares of Fomento de Construcciones y Contratas S.A. was completed, representing 2.496% of its share capital. The price was EUR 6.4782 per share, making the effective total of the transaction EUR 61,245,984.7.

b) Retained earnings and other reserves

The breakdown of "Retained earnings and other reserves" on the accompanying consolidated balance sheets as at 31 December 2017 and 2016 is as follows:

	2017	2016
Reserves of the Parent	234,559	533,230
Consolidation reserves	491,514	352,172
	726,073	**885,402**

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 2017 and 2016 is as follows:

	2017	2016
Share Premium	1,673,477	1,673,477
Legal reserve	26,114	26,114
Reserve for retired capital	6,034	6,034
Voluntary reserves and prior years' losses	(1,471,066)	(1,172,395)
	234,559	**533,230**

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.

Legal reserve

De acuerdo con el texto refundido de la Ley de Sociedades de Capital, debe destinarse una 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 plans and other employee benefit obligations. The detail of "Consolidation Reserves" at 31 December 2017 and 2016 is as follows:

	2017	2016
Environment	113,238	74,566
Water Area	159,301	501,967
Construction	(122,283)	(133,320)
Cement	24,273	128,249
Corporate	316,985	(219,290)
	491,514	**352,172**

The main variation seen in the above chart is due to the transfer of consolidation reserves as a result of the distribution of EUR 413,462 thousand in dividends charged to reserves from Water to Corporate.

c) Treasury shares and equity interests

"Treasury Shares and equity interests" 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.

Details of the movements in 2017 are given below:

Balance at 31.12.2015	**(5,502)**
Sales	—
Acquisitions	—
Balance at 31.12.2016	**(5,502)**
Sales	1,255
Acquisitions	(180)
Balance at 31.12.2017	**(4,427)**

The detail of the treasury shares at 31 December 2017 and 2016 is as follows:

	2017		2016	
	Number of shares	Amount	Number of shares	Amount
Fomento de Construcciones y Contratas, S.A.	230,100	(4,427)	415,500	(5,502)
TOTAL	**230,100**	**(4,427)**	**415,500**	**(5,502)**

At 31 December 2017, the shares of the Parent owned by it or by its subsidiaries represented 0.06% of the share capital (31 December 2016: 0.11%).

d) Other equity instruments

This heading includes the measurement of the equity component resulting from accounting for the issue of bonds convertible into shares of Fomento de Construcciones y Contratas, S.A. (Note 20.a)

e) Valuation adjustments

The detail of "Valuation Adjustments" in the accompanying consolidated balance sheets as at 31 December 2017 and 2016 is as follows:

	2017	2016
Changes in fair value of financial instruments	(148,772)	(177,848)
Translation differences	(208,405)	(124,411)
	(357,177)	**(302,259)**

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 (Note 14) and of cash flow hedging derivatives (Note 23).

The detail of the adjustments due to changes in the fair value of financial instruments at 31 December 2017 and 2016 is as follows:

	2017		2016	
Available-for-sale financial assets		**9,816**		**9,800**
Vertederos de Residuos S.A.	9,710		9,710	
Other	106		90	
Financial derivatives		**(158,588)**		**(187,648)**
Fomento de Construcciones y Contratas, S.A.	(935)		(1,683)	
Azincourt Investments S.L.	244		(401)	
Urbs Iudex et Causidicus, S.A.	(33,993)		(38,022)	
Ibisan Sociedad Concesionaria, S.A.	(3,453)		(4,230)	
FCC Environment (UK) Group	(10,320)		(15,933)	
Cedinsa Group	(38,462)		(51,352)	
Concessió Estacions Aeroport L.9, S.A.	(69,523)		(74,995)	
Other	(2,146)		(1,032)	
		(148,772)		**(177,848)**

e.2) Translation differences

The detail of the amounts included under “Translation differences” for each of the most significant companies at 31 December 2017 and 2016 is as follows:

	2017		2016	
European Union:				
FCC Environment (UK) Group	(149,361)		(100,166)	
Dragon Alfa Cement Limited	(21)		(2,408)	
Other	(21,636)	(171,018)	(13,304)	(115,878)
USA:				
FCC Construcción de América Group	9,489		11,861	
Giant Cement Holding, Inc.	(3,039)		138	
Other	341	6,791	1,416	13,415
Egypt:				
Orasqualia Devel. Waste T.P. S.A.E.	(7,858)		(5,433)	
Egypt Environmental Services, S.A.E.	(4,080)		(3,117)	
Other	(3,799)	(15,737)	(2,961)	(11,511)
Tunisia:				
Societé des Ciments d’Enfidha	(22,524)		(12,012)	
Other	(753)	(23,277)	(450)	(12,462)
Algeria:				
Shariket Tahlya Miyah Mostaganem	(9,338)		(2,957)	
Shariket Miyeh Ras Djinet	(3,395)	(12,733)	(1,053)	(4,010)
Latin America:				
FCC Construcción de América Group	3,170		4,641	
Other	(679)	2,491	(2,671)	1,970
Other currencies:				
Other	5,078	5,078	4,065	4,065
		(208,405)		**(124,411)**

In addition to the variation caused by fluctuating exchange rates owing to depreciation of the euro against most of the currencies in which the Group operates, 2017 saw the reversal of deferred tax assets totalling EUR 46,403 thousand associated with conversion differences at dependent companies abroad, as the Group does not expect these temporary differences to reverse in the foreseeable future.

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:

	2017	2016
UK	385,521	370,260
USA:	51,868	63,238
Latin America:	84,171	66,723
Czech Republic	69,011	70,755
Other	132,380	166,016
	722,951	**736,992**

f) Earnings per share

Basic earnings per share are calculated by dividing the result attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, with a profit per share of EUR 0.31 in 2017 (2016: loss of EUR 0.45).

In relation to the bond issue described in Note 20-a, 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. The resulting calculations mean that in both 2017 and 2016 no dilution in the profit or loss per share occurred, as defined in the standard cited. The calculation used to obtain the basic and diluted basic profit and diluted earnings per share is presented below:

	Básico	Diluido
Profit or loss	**118,041**	**119,524**
Profit (Loss) attributable to the Parent	118,041	118,041
Adjustment for convertible-bond interest	—	1,483
Outstanding shares	**378,497,194**	**379,860,259**
Weighted average number of shares	378,497,194	378,497,194
Convertible shares		1,363,065
Earnings per share (euros)	**0,31**	**0,31**

II. Non-controlling interests

“Non-Controlling Interests” in the accompanying consolidated balance sheet reflects the proportional part of the equity and the result 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 2017 and 2016 in relation to the main companies is as follows:

	Equity			
	Share capital	Reserves	Profit or loss	Total
2017				
Cementos Portland Valderrivas Group	1,974	20,277	173	22,424
Aqualia Czech	33,958	7,678	(57)	41,579
Other	16,499	(11,339)	5,430	10,590
	52,431	**16,616**	**5,546**	**74,593**
2016				
Cementos Portland Valderrivas Group	—	65,116	(46,003)	19,113
Aqualia Czech	33,958	9,553	(90)	43,421
Other	17,272	(8,582)	4,173	12,863
	51,230	**66,087**	**(41,920)**	**75,397**

On 22 December 2016 The National Securities Market Commission authorised the delisting tender offer targeted at 100% of the capital of Cementos Portland Valderrivas S.A. by Fomento de Construcción y Contratas S.A. In February 2017 the offer ended, having been accepted by 87.81% of the shares targeted. The resulting variation in non-controlling interests is reflected in the 2016 financial statements (Note 2), causing a reduction of EUR 70,094 thousand representing 100% of the shares targeted. The final acceptance figure resulted in a reduction of EUR 59,550 thousand. This operation also caused in increase in consolidation reserves of EUR 6,260 thousand and a reduction in valuation adjustments of EUR 2,850 thousand. The corresponding estimates made in the 2016 financial statements were for EUR 9,411 thousand and EUR 3,250 thousand, respectively.

19 Non-current and current provisions

The detail at 31 December 2017 and 2016 is as follows:

	2017		2016	
Non-current		**1,140,965**		**1,175,595**
Long-term employee benefit obligations	23,703		27,407	
Dismantling, removal and restoration of non-current assets	100,761		117,079	
Environmental activities	227,197		201,144	
Litigation	152,818		85,944	
Guarantees and contractual and legal obligations	55,558		82,232	
Improvement or increased-capacity actions at concessions	129,290		75,886	
Other provisions for contingencies and charges	451,638		585,903	
Current		**165,793**		**202,911**
Construction contract settlement and contract losses	150,362		185,888	
Other provisions	15,431		17,023	

The variations under the provisions heading in 2017 include the transfer of EUR 75,000 thousand from "Other provisions for contingencies and charges" to "Litigation" of the provision for the challenge to the sale of Alpine Energie (see below). Also, the variation under "Guarantees and contractual and legal obligations" is mostly due to the application for their purpose of certain provisions related to guarantees granted, totalling EUR 35,835 thousand. The previous year included the provision of EUR 53,400 thousand for restructuring costs in the Construction division (Note 27).

The changes in "Non-current Provisions" and "Current Provisions" in 2017 and 2016 were as follows:

	Non-current provisions	Current provisions
Balance at 31-12-2015	**1,254,119**	**194,743**
Expenses for the removal or dismantling of assets	7,110	—
Changes in employee benefit obligations arising from actuarial gains or losses	9,810	—
Measures to upgrade concessions or expand concession capacity	7,582	—
Provisions recognised/(reversed)	116,684	12,390
Amounts used (payments)	(133,914)	(14,679)
Changes in the scope of consolidation, translation differences and other changes	(85,796)	10,457
Balance at 31-12-2016	**1,175,595**	**202,911**
Expenses for the removal or dismantling of assets	367	—
Changes in employee benefit obligations arising from actuarial gains or losses	(2,826)	—
Measures to upgrade concessions or expand concession capacity	35,018	—
Provisions recognised/(reversed)	77,821	(785)
Amounts used (payments)	(153,365)	(29,868)
Changes in the scope of consolidation, translation differences and other changes	8,355	(6,465)
Balance at 31-12-2017	**1,140,965**	**165,793**

"Allocations (reversal)" includes appropriations for environmental actions totalling EUR 31,137 thousand (31 December 2016: EUR 27,256 thousand), as well as provisions for future replacements or major repairs at concessions totalling EUR 14,476 thousand (31 December 2016: EUR 4,411 thousand). Also in 2016, EUR 53,400 thousand was allocated to expenses incurred in the restructuring of the workforce in the construction business.

The heading "Applications (payments)" includes payments of EUR 16,473 thousand (31 December 2016: EUR 22,343 thousand) and EUR 14,733 thousand (31 December 2016: EUR 7,291 thousand), for fixed-asset dismantling and removal provisions and for improvement and increased-capacity actions at concessions, respectively. These sums have an impact on "Payments due to investments in property, plant and equipment, intangible assets and investment property" in the consolidated cash-flow statement. Also included is the application for their purpose of the aforementioned guarantees, totalling EUR 35,835 thousand.

A review of tax group 18/89, headed by Fomento de Construcciones y Contratas S.A., by the tax authorities for Corporation Tax over the 2010–2012 periods resulted in a payable of EUR 34,484 thousand. This had been provided for in prior years and has had no significant impact on the consolidated cash-flow statement, as most of the payment was deferred. Also in 2016, the sum of EUR 40,680 thousand was paid in expenses incurred as a result of restructuring the construction workforce. This sum has an impact on "Other proceeds/(payments) relating to operating activities" in the consolidated cash-flow statement.

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 2017 arising from the obligations covered by non-current provisions is as follows:

	Within five years	After five years	Total
Long-term employee benefit obligations	8,041	15,662	23,703
Dismantling, removal and restoration of non-current assets	60,870	39,891	100,761
Environmental activities	42,014	185,183	227,197
Litigation	122,433	30,385	152,818
Guarantees and contractual and legal obligations	37,385	18,173	55,558
Other provisions	485,120	95,808	580,928
	755,863	**385,102**	**1,140,965**

Long-term employee benefit obligations

"Non-current 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 25.

Dismantling, removal and restoration of non-current assets

"Expenses for the removal or dismantling of assets" includes the balancing item for the increased asset value relating to the discounted present value of the expenses that will be incurred when operation of the asset ceases.

Measures to upgrade concessions or expand concession capacity

"Measures to upgrade concessions or expand concession capacity" includes both 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 and the cost of future replacements or major repairs at concessions in the intangible model.

Environmental activities

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.

Company management considers that the possible contingencies relating to environmental protection and improvement at 31 December 2017 would not have a significant impact on the accompanying financial statements, which include provisions to cover any probable environmental risks that might arise.

Note 29 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.

Guarantees and contractual and legal 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.

Other provisions for contingencies and charges

“Other provisions for 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, also including the EUR 75,000 thousand including as litigation in the above figures.

The sum of “Other provisions for contingencies and charges” not related to alpine covers various litigation risks to which the Group is exposed in the normal course of its business, mostly consisting of tax claims totalling EUR 66,511 thousand (31 December 2016: EUR 97,876 thousand), construction faults or discrepancies in services rendered, inter alia, for EUR 191,762 thousand (31 December 2016: EUR 210,168 thousand). Some of these risks are covered by insurance contracts, and for any uninsured sums the corresponding provision is made.

Also included are provisions from recognising additional losses above the initial value of the i nvestment at associates after incurring in legal or implicit obligations related to the investment at the associate, totalling EUR 54,827 thousand (31 December 2016: EUR 57,711 thousand). The remaining provisions are less relevant and related to the normal functioning of the Group.

With regard to provisions and risks derived from the liquidation of the Alpine subgroup, no significant changes occurred in 2017 compared with what was reported in the 2016 financial statements.

In 2006 the FCC Group acquired an absolute majority interest in Alpine Holding GmbH (“AH”), and in the process indirect control of its operating subsidiary Alpine Bau GmbH (“AB”).

On 19 June 2013 AB filed for insolvency at Vienna commercial court, making a retrenchment proposal under court-ordered administration proceedings. After the court-appointed administrator found the retrenchment proposal not to be viable, he moved for the company to be closed and declared bankrupt, a motion that the court accepted on 25 June 2013, thus beginning the official liquidation process. As a result of the bankruptcy of AB, its parent, AH, filed a petition for administration before the commercial court, applying for a declaration of bankruptcy on 28 June 2013. This application was accepted on 2 July 2013.

The direct consequence of both these proceedings for the official liquidation proceedings of these subsidiaries of FCC Construcción S.A. is that the latter loses control of the Alpine group, interrupting its consolidation.

At the time of preparing these financial statements, the administrators in the respective official liquidation proceedings have reported recorded liabilities of approximately EUR 1,669 million at AB and EUR 550 million at AH.

In September 2014, the firm BDO Financial Advisory Services GmbH, at the request of the administrators of AH and AB, issued a report according to which AB would have been insolvent since at least October 2010.

In July 2015 the court processing the AB bankruptcy accepted the administrator’s application to commission the preparation of a report to determine the date when AB’s debt became untenable for the purposes of the administration proceedings. The expert appointed was Mr Schima, who, based on the report by BDO, a company where he is a partner, reached the same conclusions, finding that AB would have been insolvent since October 2010.

In view of these conclusions drawn by the administrators and applied in various court proceedings since, further expert reports were issued in different proceedings, including those by Mr Konecny for the anti-corruption prosecutor’s office, AKKT for the banks, Rohatschek for Deloitte Audit Wirtschaftsprüfungs GmbH, and E&Y for FCC, all of which differ from the conclusions drawn by BDO/Schima. In particular, in October 2017, the prosecutors’ expert issued his fourth and final report; the reports by the accounting expert concludes that (i) it cannot be said that there was any fraud in the individual financial statements of AB and AH and consolidated statements of AH, and (ii) the final insolvency date for AB and AH was 18 June 2013.

In 2010, 2011 and 2012, AH carried out three bond issues with a joint nominal value of EUR 290 million, accepted for trading on the Luxembourg and Vienna stock exchanges. AH, as the issuer of the bonds, and its directors and monitoring-council members may be subject to liability towards the bondholders for claims for damages if the court’s final decision finds the information contained in the corresponding issue brochure to have been incorrect, incomplete or based on false data.

In the framework of the insolvency of the Alpine group, the Central Economic Offences and Corruption Prosecutor's Office (Wirtschafts- und Korruptions-Staatsanwaltschaft) launched a criminal investigation in July 2013. To date, 380 claimants have joined the proceedings as private plaintiffs (Privatbeteiligte), claiming damages totalling EUR 350 million plus legal interest.

As these financial statements were being prepared, the prosecutors were in the process of investigating more than 25 persons (both natural and bodies corporate) in connection with the commission of crimes related to the Alpine group's tenders, specifically the alleged crimes of negligent insolvency and false accounting in respect of the Alpine group's financial statements.

Pursuant to the provisions for the criminal liability of bodies corporate under Austrian criminal law (Verbandsverantwortlichkeitsgesetz), if a court issues a final judgment finding Fomento de Construcciones y Contratas S.A. or FCC Construcción S.A., as the parents of AB and AH, to be criminally liable, because they are considered to be de facto directors, the former bondholders or other creditors suffering damages by those companies may file claims for damages against Fomento de Construcciones y Contratas S.A. or FCC Construcción S.A., under the aforementioned protection rules (Schutzgesetze). Also, finding any Group entities to be criminally liable would go hand in hand with a prohibition from participating in any further public tender processes in Austria.

As a result of these insolvency proceedings, as at 31 December 2017, the Group had recognised provisions in relation to the Alpine subgroup amounting to EUR 125,437 thousand in order to cover the contingencies and liability arising of the bankruptcies of AH and AB. 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	50,437
Total	**125,437**

The provision for the challenge to the sale of Alpine Energie Holding AG amounting to EUR 75,000 thousand covers the risk relating with the filing for retroactive application made by the administrator 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.

With regard to the sale of Alpine Energie Holding AG, in the framework of the investigation of alleged asset-stripping, the expert appointed by the prosecutor's office essentially concluded in October 2015 that the sale of Alpine Energie Holding AG (i) did not constitute asset-stripping and (ii) caused no harm or damage to AB; and (iii) that the sale conditions were consistent with market conditions at the time. The Anti-Corruption and Economic Offences Prosecutor's Office has fully accepted the criteria set forth in the expert report, agreeing to close part of the investigation, with regard to the alleged asset-stripping, in November 2016.

FCC Construcción S.A. lodged corporate guarantees in order for AB and some of its operating subsidiaries to be able to tender for and win contracts for works; now, four and a half years after the bankruptcy, the risk of these guarantees being executed has lessened. In addition, in the ordinary course of its business activities, the FCC Group generated accounts receivable from the Alpine group, 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 50,437 thousand on the liability side of its consolidated balance sheet.

Since the bankruptcy of AH and AB to date, the following actions have been brought against the FCC Group and directors of AH and AB:

- **Preliminary investigation 19 St 43/13y-1 by the Anti-Corruption and Economic Offences Prosecutor's Office:**
  - 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 Alpe 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.
- In November 2016, the prosecutor's office decided to close the investigations of alleged asset-stripping in the sale of Alpine Energie Holding AG, considering that the facts accredited did not constitute that criminal offence.
- In October 2017, the prosecutor's expert issued his fourth and final report; the reports by the accounting expert concluded that (i) no fraud can be said to have been committed in the individual financial statements of AB and AH and the consolidated statements of AH, and (ii) the final insolvency date of AB and AH was 18 June 2013.

- **Civil and commercial proceedings**

- Petition for retroactive application filed by the administrator of Alpine Bau GmbH on 11 June 2014 against FCC and two group subsidiaries, Asesoría Financiera y de Gestión S.A. and BVEFDOMINTAENA Beteiligungsverwaltung GmbH, as joint and several liable parties, challenging the sale of shares of Alpine Energie Holding AG to the latter subsidiary. The administrator is not claiming the return of Alpine Energie Holding AG to the scope of the bankruptcy but rather a payment of EUR 75 million plus interest. The proceedings are still at the evidentiary stage.
- In 2014 two bondholders filed two civil claims against FCC Construcción S.A. and a Director for EUR 12 thousand and EUR 506 thousand. In October 2016 notice was given of another law suit, filed three years previously, claiming EUR 23 thousand. These three proceedings were suspended pending the findings of the report by the anti-corruption prosecutor's expert. That report has now been issued, seeking the continuance of the first of the proceedings. After the issue of this report, a motion was accepted to continue with the proceedings.
- The insolvency managers of Alpine Holding filed a claim of EUR 186 million against FCC Construcción S.A. as it considers that this company 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 its subsidiary Alpine Bau GmbH without the necessary guarantees and through alleged control FCC Construcción S.A. The proceedings, which began with notice of the action in April 2015, were declared by the court to be "heard and pending judgment" in November 2017.
- In April 2017 a member company of the FCC Group, Asesoría Financiera y de Gestión S.A., received a writ in which the administrator lodged a claim for payment by the CFO of de Alpine Bau GmbH and Asesoría Financiera y de Gestión S.A., jointly and severally, of the sum of EUR 19 million for alleged infringements of company and insolvency law, understanding that Alpine Bau GmbH, on lodging a deposit at Asesoría Financiera y de Gestión S.A., had made payments charged to its own resources (a return of capital), which is forbidden by law. The proceedings are at the evidence-hearing stage and the court has appointed an expert.
- Also in April 2017, a former employee of FCC and also a former director of AH and AB received a writ issued by the administrator of Alpine Bau GmbH claiming EUR 72 million for alleged harm to the bankruptcy group caused by alleged liable delays when filing for insolvency.

The enclosed financial statements include the aforementioned provisions to cover probably risks related to some of these law suits. 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, prior to the issue of the next report, therefore, no provision has been recognised in this connection as the Group considers that they are contingent liabilities (Note 26).

20 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.

Should the financial transaction so require, following a hedging policy for accounting purposes, the Group arranges interest rate hedging transactions on the basis of the type and structure of each transaction (Note 23).

In certain types of financing, particularly non-recourse structured financing, the lender 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.

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 are as follows:

- FCC Aqualia S.A., as part of the syndicated refinancing of the FCC Group, successfully completed two simple bond issues on 8 June 2017. One was for EUR 700 million, with annual remuneration of 1.413%, maturing in 2022, and the other was for EUR 650 million, with annual remuneration of 2.629%, maturing in 2027.

  These issues are backed by real guarantees on holdings in dependent companies and credit rights for certain accounts of the FCC Aqualia group, the carrying amount of which as at 30 June 2017 was EUR 123,706 thousand and EUR 78,723 thousand, respectively. The issue and circulation of these two bonds took place on 8 June 2017, and they were admitted for trading on the non-regulated Irish stock market (Global Exchange Market).

  The balance as at 31 December 2017 recorded for this item was EUR 1,365,513 thousand, including EUR 15,513 thousand in outstanding interest accrued.

  As at 31 December 2017 the quoted price of EUR 700 million bond was 102.4% and that for the EUR 650 million bond was 103.4%.

- In July 2005, to repay another issued in 2005, Severomoravské Vodovody a Kanalizace Ostrava, A.S. (SmVak) issued a seven-year local bond at a fixed interest rate for an amount of CZK 5,400,000 thousand, with a coupon of 2.625% and a rating of BBB- from the rating agency Fitch.

  The balance for this item as at 31 December 2017 is EUR 213,064 thousand (31 December 2016: EUR 199,822 thousand), which includes EUR 2,518 thousand in interest accrued and not yet paid (2016: EUR 2,390 thousand). These bonds traded at 101.5% of par at 31 December 2017 according to Bloomberg.

- The issue on 30 October 2009 by Fomento de Construcciones y Contratas S.A. of convertible bonds totalling EUR 450,000 thousand was allocated to international institutional investors. The balance recognised in this connection at 31 December 2017 under "Debt instruments and other marketable securities" in the accompanying consolidated balance sheet amounted to EUR 30,578 thousand (31 December 2016: EUR 32,548 thousand), including EUR 348 thousand of accrued interest payable (31 December 2016: EUR 348 thousand). The main characteristics following the changes are as follows:

  – The final due date is 30 October 2020.

  – The bonds accrue interest at a fixed annual rate of 6.50% payable every six months.

  – The price for which the bonds could be exchanged for shares of the Company is established at EUR 21.50 per ordinary share, resulting in each nominal amount of EUR 50 thousand in bonds entitling the owner to receive 2,325.58 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.

  – A new case of optional repayment for the issuer from 30 October 2018 is included.

The changes made to the board of directors of Fomento de Construcciones y Contratas S.A. in 2016 and capital operations carried out led to a change in effective control, with Inversora Carso securing a majority holding of the capital. This situation, under the terms and conditions of the Convertible Bond, triggered a Put Period of 60 working days in which each individual bondholder had the right to ask the Company to return the principal of the bond (EUR 50,000 per bond) plus interest accrued since the payment date of the last coupon (30 April 2016). On the expiry of this period, which ran from 30 June until 29 August, 92.7% of the bondholders exercised this right, with the consequent cancellation of the convertible bond by the same proportion.

With regard to the issue of convertible bonds, we it should also be noted that the Company's purchase option enabling the bonds to be repurchased in certain circumstances (Trigger Call) was valued as at 31 December 2017 at EUR 5 thousand (31 December 2016: EUR 30 thousand).

These bonds traded at 102.4% of par at 31 December 2017 according to Bloomberg.

b) Non-current and current bank borrowings

The detail at 31 December 2017 and 2016 is as follows:

	Non-current	Current	Total
2017			
Credit facilities and loans	1,785,717	279,061	2,064,778
Borrowings without recourse to the Parent	465,942	33,787	499,729
Limited recourse project financing loans	255,912	336,829	592,741
FCC Environment (UK) Group	87,121	308,249	395,370
Other	168,791	28,580	197,371
	2,507,571	**649,677**	**3,157,248**
2016			
Credit facilities and loans	3,085,373	249,041	3,334,414
Borrowings without recourse to the Parent	503,193	25,464	528,657
Limited recourse project financing loans	622,818	50,247	673,065
FCC Environment (UK) Group	439,952	11,447	451,399
Other	182,866	38,800	221,666
	4,211,384	**324,752**	**4,536,136**

This chart includes the syndicated loan of FCC S.A., with a principal of EUR 2,004 thousand, resulting from the process to renew much of the Group's financial debt, completed on 8 June 2017.

The refinancing agreement was completed with the advance repayment of EUR 1.069 billion of the existing financing, charged to the funds obtained from the issue by FCC Aqualia S.A. of two corporate bonds on the international market.

There are three separate groups of borrowings in the foregoing table:

1. Credit facilities and loans

Include the financing forming part of the Refinancing Agreement entered into by Fomento de Construcciones y Contratas, S.A. in March 2014, the renewal of which came into effect in June this year.

The detail of the most salient aspects of the aforementioned refinancing is as follows:

Financing Agreement

During the first few months of 2017, in the context of refinancing the corporate debt of FCC, the Parent reached an agreement with all the financial creditors to refinance much of the debt under the previous refinancing contract, in effect since 26 June 2014, the terms and conditions of which are explained in detail in Note 20 of the 2016 financial statements.

On 28 February 2017 the process to sign the contracts for the refinancing of the Group's syndicated debt was completed, with all the affective credit entities being involved. All the suspension conditions to which their effectiveness was subject were met by 8 June.

The refinancing process completed in 2017 involved completely renewing the existing financing by replacing it with a new long-term credit facility for the Parent of the FCC Group together with certain dependent companies, with the group of companies headed by FCC Aqualia ceasing to be a bound party. In accordance with the relevant accounting rules, this renewal has resulted in no substantial changes to the conditions of the loan.

The main characteristics of the refinancing are:

- **Amount:** The total outstanding sum as at 31 December 2017 is EUR 2,004 million. This sum replaces the debt under the previous financing contract, with a repayable sum of EUR 3,237.4 million, following the advance repayment of EUR 1,068.8 million (including full cancellation of the tranche convertible into shares of FCC and the warrants associated with this convertible tranche).

  At the time of closing the refinancing agreement, as established under the financing contract, the funds corresponding to the sales of Xfera and Globalvia — EUR 29.1 million and EUR 106.4 million, respectively — were allocated to the advance repayment of tranche A. Following this operation, the sum of the principal renewed was EUR 2,033.1 million.

  The principal as at 31 December 2017 is EUR 2,004 million, after making the first repayment of EUR 29.1 million under the repayment schedule for the new financing contract.

- **Tranches:** The new debt is split into four tranches, three of which (A, B and C) are commercial loans for initial sums of EUR 288.1 million, EUR 1,455.5 million and EUR 125 million, respectively; plus, a final tranche (D) (tranche D) represented by a revolving loan of EUR 300 million.
- **Maturity:** Tranches A, B and D mature in five years and tranche C in 18 months.
- **Interest rate:** The interest rate fixed for all tranches is Euribor plus a 2.3% differential, which may be reduced to 2% of certain contractual requirements are met.
- **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 with certain exceptions detailed in the contract; 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 and (ii) the sale of all or a substantial portion of the assets or businesses within the refinancing scope.

- **Cases of mandatory partial early repayment.** Among other cases, the Financing Agreement provides for the obligation to repay, early and partially, the outstanding principal using (i) 50% of the cash sum from monetary capital increases with certain exceptions detailed in the contract; (ii) the net funds deposited by FCC as a result of subscribing subordinated debt to restore financial ratios (equity cure); and (iii) proceeds from insurance indemnity payments and the sale of assets, subsidiaries and businesses, except under certain circumstances.
- **Financial ratios and other borrower obligations.** The Financing Agreement is subject to the achievement of certain annual financial ratios relating to FCC S.A. refinancing scope, the non-achievement of which may trigger a case for early repayment. The financial ratios will also be measured on 30 June each year, for information purposes only. As at 31 December 2017 these ratios are met and are also expected to be met as at 31 December 2018.
- **Guarantees.** The refinancing documents include personal guarantees by a substantial number of the companies within the refinanced scope, conserving their real guarantees of a large portion of the Group's credit assets and rights.

Financial Stability Framework Agreement

As a supplement to the main refinancing agreement, a Framework Financial Stability Contract was entered into, renewing the one in effect since 2014 and regulating such matters as the financial operations necessary for day-to-day business, national and international guarantees totalling EUR 1.481 million with a five-year term, and the undertaking to defer the debt of subsidiaries, as these are defined under the refinancing contract.

Syndicated international guarantee facility

In addition, a contract was entered into to renew the 2014 International Syndicated Guarantee Arrangements (EUR 116 million and a five-year term).

Cementos Portland Valderrivas Support Agreement

As part of the CPV refinancing process completed in 2016 (see below), FCC assumed a new contingent undertaking, known as a "Support Agreement", between FCC S.A. and Cementos Portland Valderrivas S.A., linked to how CPV's business progresses, for a variable sum of not greater than EUR 100 million.

2. Borrowings without recourse to the Parent:

This item includes both the financing of the Cementos Portland Group and, after the new financing was arranged on 8 June 2017, the group of companies headed by FCC Aqualia, except for Aquajerez's debt, which has been classified under "Remaining limited-recourse project financing loan", as that company is financed under the project-financing modality.

- Between 29 July and 1 August 2016 the Cementos Portland Valderrivas subgroup complete a financing operation for a total sum of EUR 535.2 million, used to refinance the debt associated with the Spanish business of the Cementos Portland Valderrivas Group, obtained from the syndicated financing contract entered into in 2012, the outstanding principal of which on the refinancing date was EUR 819.2 million. The total cost of the operation breaks down as (i) EUR 350.7 million for the refinanced syndicated financing contract; (ii) EUR 105 million in new bank money; and (iii) EUR 79.5 million from a new subordinated financing contract.

  For the refinancing of this debt, part of the previous debt, EUR 468.5 million, was amortised with funds from Fomento de Construcciones y Contratas S.A. by means of a subordinated loan to Cementos Portland Valderrivas (EUR 271.2 million), new bank money (EUR 105 million), funds from a new subordinated financing contract (EUR 79.5 million) and cash funds from Cementos Portland Valderrivas S.A. (EUR 12,9 million).

  The new financing was instrumentalised via a senior financing contract for approximately EUR 455.7 million (of which EUR 350.7 million came from the refinanced syndicated financing contract) due in five years (July 2021). The interest rate applicable to this loan is Euribor + 2.40%, with a possibility of reduction depending on the levels of the gross financial debt/EBITDA ratio.

The repayment schedule includes six-monthly repayments from 2017 onwards, with the remainder payable on the final due date. Undertakings have also been made for further repayments in the case of any cash surplus. At year end 2017 a sum of EUR 24 million was classified as "Current bank loans and credit", being due in 2018.

In 2017 debt totalling EUR 36 million was repaid, of which EUR 12 million was repaid voluntarily in advance, applying the repayment quota scheduled for 29 June 2018. As at 31 December 2017 the outstanding balance of this loan is EUR 419.7 million.

This financing requires compliance with a number of financial ratios from 31 December 2017 and annually until the due date. In this regard, on 6 December 2017 the Cementos Portland group was given approval by most of the financing entities not to compute the clause for the advance repayment of the debt if ratios were not met as at 31 December 2017.

The subordinated financing contract for EUR 79.5 million, due six months after the due date of the senior financing contract, is a loan with subordination of the debt resulting from the senior financing contract, the interest rate applicable to which is Euribor + 2.90% (subordinated to the payment of interest and principal under the senior financing contract).

On 30 November 2017, an advance repayment of the subordinated financing contract of EUR 9.1 million was made following the sale of the subgroup's former office building that month. As at 31 December 2017 the outstanding balance of this loan is EUR 70.4 million.

Without prejudice to the "without recourse to FCC" nature of the debt of the Cementos Portland Valderrivas subgroup, a support contract was entered into between FCC S.A. and Cementos Portland Valderrivas S.A., mentioned above, under which FCC S.A. undertakes to make a contribution of treasury funds up to a maximum of EUR 100 million if certain eventualities related to the gross financial debt/EBITDA ratio occur.

Moreover, FCC S.A., pursuant to the syndicated financing contract, undertook to capitalise the full sum of the subordinated loans arranged with Cementos Portland Valderrivas within 12 months following the effective date of that contract (1 August 2016), via the corresponding capital increase. The total of these loans as at 31 December 2016 was EUR 423.3 million. On 27 July 2017 a capital increase was carried out whereby FCC S.A. subscribed shares by offsetting credit arranged with Cementos Portland Valderrivas S.A., totalling EUR 423,288 thousand on that date (Note 5).

3. 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 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 financial institutions, maturing on 31 December 2017, with the possibility of extending the maturity date by one year if certain conditions are met. As these conditions were indeed met, the final due date will be 31 December 2018.

  The aforementioned Financing Agreement entered into with the banks, included 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 not made available with most of the banks in the syndicate of Azincourt Investment, S.L.'s debt, and a factoring facility to discount trade receivables for the same amount as the working capital facility, which has been renewed until 31 December 2018.

On 29 July 2016 the company decided to repay GBP 30 million of the syndicated debt, making the nominal sum of the syndicated debt after this repayment, as at 31 December 2016, GBP 270.2, distributed over the following tranches:

– Tranche A amounts to GBP 89.18 million. The borrowing cost associated with this tranche is LIBOR + 400 pbs.

– Tranche B, for GBP 181.07 million, with borrowing cost of LIBOR + 255 bps in 2018.

At the time of preparing these financial statements, the Group is exploring the best alternatives for refinancing the sums mentioned, which fall due, as mentioned at the end of 2018. This refinancing is expected to be closed successfully.

In 2017 FCC S.A. took the decision to purchase, at the same time, the syndicated bank loan of Kent Enviropower Ltd., a member company of the FCC Environment (UK) group. The nominal was GBP 57.5 million and the interest rate for the financing consisted of an IRS (interest-rate swap) of 5.32% plus a 2.375% margin, corresponding to a final interest rate of 7.695%.

Upon the sale of the debt by Kent Enviropower Ltd. and the change to the initial lenders, it was decided to settle the IRS derivative (Note 23).

On 25 July 2017 the transaction was completed to purchase the debt and settle the IRS derivative for GBP 13.1 million. Once the derivative had been settled, funds were release from the reserve account of the project to FCC S.A. As at 31 December 2017 the nominal owed by Kent Enviropower Ltd to FCC S.A. is GBP 41 million. This impact has had no impact on the consolidated financial statements, however, as they operations involved are between group companies and so excluded from the consolidation process.

The remaining limited recourse project finance debt up to the total EUR 395,370 thousand corresponds mainly to the debt of the companies composing the FCC Group in United Kingdom.

- Moreover, "Other debts with limited recourse for financing projects" include the debt of Aquajerez S.L., which stood at EUR 37.9 million as at 31 December 2017. The new financing of Aquajerez S.L. arranged on 21 July 2016 totals EUR 40 million, with a 15-year term and six-monthly repayments commencing in January 2017. This financing is associated with compulsory interest-rate cover for 15 years on 70% of the nominal sum, as mentioned in Note 23 on derivative financial instruments.

As at 31 December 2017 all the financial ratios have been met, nor are they expected not to be met in 2018 for the main financing contracts entered into by the Group.

The detail of the bank borrowings, by currency and amounts drawn down at 31 December 2017 and 2016, is as follows:

	Euros	US dollar	Pound sterling	Czech koruna	Other	Total
2017						
Credit facilities and loans	2,057,791	6,689	—	—	298	2,064,778
Borrowings without recourse to the Parent	499,274	—	—	—	455	499,729
Limited recourse project financing loans	158,412	—	395,370	8,437	30,522	592,741
	2,715,477	**6,689**	**395,370**	**8,437**	**31,275**	**3,157,248**
2016						
Credit facilities and loans	3,326,618	7,603	—	—	193	3,334,414
Borrowings without recourse to the Parent	528,597	—	—	—	60	528,657
Limited recourse project financing loans	184,220	—	451,399	4,414	33,032	673,065
	4,039,435	**7,603**	**451,399**	**4,414**	**33,285**	**4,536,136**

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 fund assets of the FCC Environment (UK) in the UK; and those arranged in Czech koruna are being used to finance the operations of FCC Environment CEE (formerly ASA) in the Czech Republic.

c) Other non-current financial assets

	2017	2016
Non-current		
Obligations under finance leases	38,995	27,449
Financial borrowings - non-Group third parties	112,657	115,497
Liabilities relating to financial derivatives	17,679	35,206
Guarantees and deposits received	34,978	32,485
Other	7,160	7,635
	211,469	**218,272**

"Liabilities Relating to Financial Derivatives" includes mainly financial derivatives designated as hedging instruments, basically interest rate swaps (Note 23).

d) Other current financial assets

	2017	2016
Current		
Obligations under finance leases	20,853	21,979
Active dividend due	972	1,484
Financial borrowings - non-Group third parties	24,301	116,614
Payable to non-current asset suppliers and notes payable	20,381	23,299
Payable to associates and joint ventures	8,052	8,225
Liabilities relating to financial derivatives	2,637	5,874
Guarantees and deposits received	52,048	51,911
Other	-2	286
	129,242	**229,672**

"Guarantees and deposits received" includes the advance received under the agreement to sell the holding in the company Concesionaria Túnel de Coatzacoalcos S.A. for EUR 48,396 thousand.

As at 31 December 2016 "financial borrowings - non-Group third parties" included EUR 63,933 thousand for the obligation assumed under the CPV tender offer to buy its treasury shares by paying up the sum that would have applied if the offer had been accepted by 100% of the non-controlling interests at which it was targeted (Notes 2, 5 and 18).

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:

	2019	2020	2021	2022	2023 and subsequent years	Total
2017						
Debt instruments and other marketable securities	—	—	—	910,546	650,000	1,560,546
Non-current bank borrowings	276,093	254,019	525,690	1,300,395	151,374	2,507,571
Other financial liabilities	48,240	24,787	12,296	16,040	110,105	211,468
	324,333	**278,806**	**537,986**	**2,226,981**	**911,479**	**4,279,585**

f) Variations in financial liabilities with an impact on financing cash flows

Details of the movements of non-current and current financial liabilities are shown below, distinguishing those that have had an impact on the financing cash flows in the cash-flow statement from other variations:

	Balance at 1 January 2017	Cash flows from financing activities	No impact on cash flow: Exchange differences	No impact on cash flow: Changes in fair value	No impact on cash flow: Other changes	Balance at 31 December 2017
Non-current	**4,659,288**	**1,149,541**	**(13,119)**	**67**	**(1,516,192)**	**4,279,585**
Debt instruments and other marketable securities	229,632	1,341,610	10,562	—	(21,258)	1,560,546
Bank borrowings	4,211,384	(198,509)	(17,602)	—	(1,487,702)	2,507,571
Other financial liabilities	218,272	6,440	(6,079)	67	(7,232)	211,468
Current	**557,161**	**(1,577,131)**	**(1,915)**	**(476)**	**1,849,889**	**827,528**
Debt instruments and other marketable securities	2,737	(8,354)	129	—	54,097	48,609
Bank borrowings	324,752	(1,357,552)	(17)	—	1,682,494	649,677
Other financial liabilities	229,672	(211,225)	(2,027)	(476)	113,298	129,242

	Balance at 1 January 2016	Cash flows from financing activities	No impact on cash flow: Exchange differences	No impact on cash flow: Changes in fair value	No impact on cash flow: Other changes	Balance at 31 December 2016
Non-current	**5,678,798**	**131,550**	**(91,817)**	**11,229**	**(1,070,472)**	**4,659,288**
Debt instruments and other marketable securities	1,080,950	405	—	—	(851,723)	229,632
Bank borrowings	4,327,035	171,892	(83,936)	—	(203,607)	4,211,384
Other financial liabilities	270,813	(40,747)	(7,881)	11,229	(15,142)	218,272
Current	**1,529,379**	**(1,918,982)**	**(35,252)**	**(2,091)**	**984,107**	**557,161**
Debt instruments and other marketable securities	7,543	(639,074)	—	—	634,268	2,737
Bank borrowings	1,320,649	(1,440,465)	(33,992)	—	478,560	324,752
Other financial liabilities	201,187	160,557	(1,260)	(2,091)	(128,721)	229,672

21 Other non-current liabilities

The detail at 31 December 2017 and 2016 is as follows:

	2017	2016
Public Administrations - long-term deferrals	4,628	–
Other non-current liabilities	159,515	174,946
	164,143	**174,946**

“Other non-current liabilities” mostly include the collection of the intangible portion of the Buckinghamshire plant (Note 11), in accordance with the terms and conditions of the contract, i.e., EUR 133,163 thousand as at 31 December 2017 (31 December 2016: EUR 145,964 thousand).

22 Trade and other payables

The detail of “Trade and Other Payables” in the consolidated balance sheets as at 31 December 2017 and 2016 is as follows:

	2017	2016
Payable to suppliers	1,116,440	1,077,171
Current tax liabilities (Note 24)	37,485	37,143
Other accounts payable to Public Authorities (Note 24)	271,578	274,932
Customer advances (Note 16)	624,964	709,704
Remuneration payable	69,354	72,194
Other payables	388,301	355,143
	2,508,122	**2,526,287**

In relation to the Resolution issued by the Spanish Accounting and Audit Institute (ICAC) on 29 January 2016 implementing Additional Provision Two of Law 31/2014, of 3 December, which amends Additional Provision Three of Law 15/2010, of 5 July, on combating late payment in commercial transactions, it should be noted with respect to 2017 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 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.

It is also important to Note that 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 2017.

The Group's supplier payment policy described in the two preceding paragraphs is thus supported by a) payments to suppliers under agreements entered into by the Group with the Public Authorities in accordance with the requirements of Article 228.5 of the TRLCSP; 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. 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. 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 addition, the Group has entered into reverse factoring and similar agreements with various financial entities in order to facilitate early payment to its suppliers, under which the supplier may exercise its collection right with the Group companies or entities, obtaining the amount billed less the finance costs of discounting and fees applied by the aforementioned entities and, in some cases, amounts retained as security. The facilities arranged total EUR 102,096 thousand, against which EUR 38,985 thousand had been drawn down at 31 December 2017. The aforementioned agreements do not modify the main payment conditions contained therein (interest rate, term or amount) and, therefore, they remain classified as trade payables.

In compliance with the aforementioned Resolution, the following table provides information on the average period of payment to suppliers of the entities located in Spain, for those commercial transactions which have accrued since the date of entry into force of the aforementioned Law 31/2014, i.e. 24 December 2014:

	2017 Days	2016 Days
Average period of payment to suppliers	108	116
Ratio of transactions settled	102	111
Ratio of transactions not yet settled	129	133
	Amount	**Amount**
Total payments made	1,360,690	1,316,046
Total payments outstanding	392,918	358,007

23 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 2017, the FCC Group had arranged, at its fully consolidated companies, hedging transactions with derivative instruments totalling EUR 177,883 thousand (31 December 2016: EUR 530,317 thousand) mainly in the form of IRSs in which the Group companies pay fixed rates and receive floating rates. In 2017 the Azincourt derivative matured and the Kent derivative was cancelled (Note 20), the notional sums of which as at 31 December 2016 were EUR 296,742 thousand and EUR 69,519 thousand, respectively.

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 31.12.17	Notional amount at 31.12.16	Fair value at 31.12.17	Fair value at 31.12.16	Maturity
Fully consolidated companies								
Fomento de Construcciones y Contratas, S.A.	IRS	CF	57%	10,931	7,836 3,918	(1,365)	(1,138) (569)	02/04/2024
	IRS	CF		—	2,511	—	(365)	02/04/2024
	IRS	CF		—	2,212	—	(321)	02/04/2024
	IRS	CF	22%	4,156	—	(19)	—	02/04/2024
Azincourt Investments S.L.	Option	CF		—	296,742	—	2	29/12/2017
RE3 Ltd.	IRS	CF	82%	24,523	27,102	(5,375)	(6,258)	30/09/2029
Kent	IRS	CF		—	32,442	—	(6,695)	31/03/2027
	IRS	CF		—	13,904	—	(2,873)	31/03/2027
	IRS	CF		—	23,173	—	(4,776)	31/03/2027
FCC Environment (UK) Ltd.	IRS	CF	95%	20,947	22,829	(6,053)	(6,729)	30/09/2032
FCC Environment (UK) Ltd.	IRS	CF	50%	8,816	9,581	(858)	(928)	30/09/2032
	IRS	CF	50%	8,816	9,581	(875)	(959)	30/09/2032
FCC (E&M) Ltd.	IRS	CF	50%	15,174	89	128	121	06/05/2020
	IRS	CF	50%	15,174	89	125	109	06/05/2020
	IRS	CF	50%	4,068	4,218	(106)	669	06/05/2042
	IRS	CF	50%	4,068	4,218	(417)	98	06/05/2042
FCC (E&M) Ltd.	Currency forward	CF	50%	11,475	14,726	(182)	(1,201)	07/05/2019
	Currency forward	CF	50%	11,475	14,726	(177)	(1,181)	07/05/2019
Concesionaria Atención Primaria, S.A.	IRS	CF	75%	1,875	—	(41)	—	20/12/2018
Ecodeal-Gestao Integral de Residuos Industriais, S.A.	IRS	CF		—	1,792	—	(57)	15/12/2017
Integraciones Ambientales de Cantabria, S.A.	IRS	CF	75%	9,630	10,628	(832)	(1,138)	31/12/2022
Aquajerez	IRS	CF	70%	26,755	28,000	438	165	15/07/2031
Total fully consolidated companies				**177,883**	**530,317**	**(15,609)**	**(34,024)**	

The detail, by expiry date, of the notional amount of the hedging transactions arranged at 31 December 2017 and broken down in the above table:

	2018	2019	2020	2021	2022 and subsequent years
Fully consolidated companies	(33,896)	(12,299)	51,804	11,985	160,289

The instruments of FCC (E&M) Ltd. due in 2020 and 2042 are accreting swaps. These are interest-rate instruments intended to cover a loan for which the nominal is made available over the course of the loan, specifically 2018 and 2019.

As the sum due for other derivatives in 2018 and 2019 is less than the increase of the notional sum of the accreting swaps, the summary of the notional sums due is reversed in 2018 and 2019.

At 31 December 2017, the total of the hedges of the companies accounted for using the equity method amounted to EUR 717,660 thousand (31 December 2016: EUR 771,514 thousand) and their fair value amounted to EUR 186,643 thousand (31 December 2016: EUR (219,854) thousand).

The detail of the financial derivatives arranged by the fully consolidated companies for hedging purposes, but which do not qualify for hedge accounting, is as follows:

Fully consolidated companies	Other type of derivative	Type of hedge	Notional amount at 31.12.2017	Notional amount at 31.12.16	Fair value at 31.12.2017	Fair value at 31.12.16	Maturity
.A.S.A. Abfall Service Zistersdorf GmbH	COLLAR	SP	33,333	38,667	(4,270)	(5,862)	28/03/2024
.A.S.A. International	FX SWAP	SP	—	297	—	(1)	15/01/2017
	FX SWAP	SP	—	1,851	—	(11)	15/01/2017
Total fully consolidated companies			**33,333**	**40,815**	**(4,270)**	**(5,874)**	

Following is a detail, by expiry, of the notional amount of the derivatives that do not qualify for hedge accounting:

	Notional expiry				
	2018	2019	2020	2021	2022 and subsequent years
Fully consolidated companies	5,333	5,333	5,333	5,334	12,000

24 Tax matters

This Note describes the headings in the accompanying consolidated balance sheet and consolidated income statement 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. The subsidiaries that carry on the Environmental Services activity in the UK also file consolidated tax returns.

Fomento de Construcciones y Contratas, S.A. has all the years not yet statute-barred open for review by the Tax Authorities for the taxes applicable to it. On 8 June 2015, the State Tax Agency's Department of Tax and Customs Control issued a "Communication of the Commencement of Verifications and Investigations" with regard to Corporation Tax for tax group 18/89, headed by FCC S.A. (periods between 01/2010 and 12/2013), and with regard to VAT (periods between 01/2012 and 12/2013) and PAYE withholdings (periods between 04/2011 and 12/13) of certain Group companies.

During the final quarter of 2017 the authorities gave notice of a debt in respect of Corporation Tax for the tax group headed by FCC S.A. (for the 2010–2012 periods), as well as in respect of VAT and PAYE withholdings for several Group companies, totalling EUR 37 million. Payment of most of this debt has been deferred by the tax authority for 18 months. It is also likely that during the first quarter of 2018 a Corporation Tax review will take place of the tax group headed by FCC S.A. for which no outgoings are expected, although certain tax credits registered by FCC S.A. will be regularised. Tax regularisation both in 2017 and that forecast for 2018 will have no impact on the Group's results, as adequate provisions have been made for the corresponding sums in the financial statements. With regard to the other years and taxes open for inspection, the criteria that the tax authorities might adopt in the interpretation of tax legislation, the outcome of the tax audits currently under way and any tax audits of the open years that could be conducted by the tax authorities in the future could all give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, Group management considers that any liabilities that might arise in connection with the years open for review would not significantly affect the Group's equity.

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, losses resulting from the deconsolidation of Alpine, non-deductible borrowing costs that will become deductible from the income tax base in future years, tax credit carryforwards and differences between depreciation and amortisation for accounting and tax purposes.

Group management evaluated the recoverability of the deferred tax assets by estimating the future tax bases corresponding to Spanish tax group 18/89 and concluded that there were no doubts as to their recovery through the generation of future taxable profits.

The estimates used to assess the recoverability of deferred-tax assets are based on the estimate of future taxable sums, beginning with the estimated "Consolidated Book Profit (Loss) Before Tax for the Year from Continued Operations" and adjusting the corresponding permanent and temporary differences that are expected to occur in each year. Forecasts show an improvement in profits, as a result of maintaining in place the steps taken to cut costs and strengthening the Group's financial structure by means of the two capital increases effected by the Group's parent, Fomento de Construcciones y Contratas, which have enabled the Group's financial debt to be reduced and its financial liabilities to be restructured, resulting in significant cost reductions.

All of the foregoing will make it possible to improve earnings and to obtain sufficient taxable profits to absorb both the tax losses recognised in the consolidated balance sheet and the deferred tax assets in an estimated period of around fifteen years.

The tax losses of the subsidiaries were largely 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 and tax group 18/89 recognised deferred tax assets relating to tax losses and deductions pending application amounting to EUR 153,633 thousand (31 December 2016: EUR 146,182 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 Note 3.b. In general, these liabilities do not represent future cash outflows since they reverse at the same rate as that of the depreciation taken on the revalued assets.

– The 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 2017 a decrease of EUR 49,338 thousand (31 December 2016: increase of EUR 19,904 thousand) arising mainly from the tax effect of 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.

The decrease in 2017 includes EUR 46,403 thousand for the reversal of deferred tax assets linked to conversion differences, as the Group does not expect these temporary differences to reverse in the foreseeable future.

The detail of the main deferred tax assets and liabilities is a follows:

	2017			2016		
ASSETS	**Tax group Spain**	**Other**	**TOTAL**	**Tax group Spain**	**Other**	**TOTAL**
Provisions and impairment losses	364,711	22,663	387,374	391,679	24,807	416,486
Tax loss carryforwards	144,588	9,045	153,633	139,259	6,923	146,182
Non-deductible finance costs	142,932	3,093	146,025	150,891	3,992	154,883
Deferred tax assets arising from translation differences	—	—	—	4,695	66,986	71,681
Pension plans	1,238	2,181	3,419	704	89	793
Differences between depreciation and amortisation for accounting and tax purposes	19,965	3,144	23,109	23,117	4,414	27,531
Other	113,622	10,266	123,888	109,638	19,430	129,068
Total	**787,056**	**50,392**	**837,448**	**819,983**	**126,641**	**946,624**

	2017			2016		
LIABILITIES	**Tax group Spain**	**Other**	**TOTAL**	**Tax group Spain**	**Other**	**TOTAL**
Differences arising from recognition of assets at acquisition-date fair value (IFRS 3)	73,788	70,950	144,738	79,636	83,474	163,110
Accelerated depreciation and amortisation	9,297	45,878	55,175	13,077	43,448	56,525
Profit (Loss) of unincorporated temporary joint ventures (UTEs)	25,724	—	25,724	24,019	—	24,019
Non-deductible impairment of goodwill	27,766	—	27,766	30,408	—	30,408
Deferred tax asset arising from translation differences	3,309	—	3,309	4,427	22,285	26,712
Finance leases	5,002	1,713	6,715	6,828	50	6,878
Other	38,680	10,546	49,226	43,568	9,127	52,695
	183,566	**129,087**	**312,653**	**201,963**	**158,384**	**360,347**

With regard to the tax reversion of the impairment of securities representing certain holdings in the capital of companies (Royal Legislative Decree 3/2016), the Group has registered at year end 2017 a deferred tax liability of EUR 3,419 thousand for portfolio impairment that was considered to be deductible prior to 2014 and that the legislation cited requires to be returned within five years.

Following is a detail of the expected reversal dates of the deferred tax assets and liabilities:

	2018	2019	2020	2021	2022 and subsequent years	Total
Assets	105,152	49,255	52,648	62,186	568,207	837,448
Liabilities	52,094	17,565	16,655	11,245	215,094	312,653

The Group has tax loss carryforwards amounting to EUR 119.7 million that were not recognised in the financial statements in accordance with the accounting principle of prudence. The estimated expiry of the unrecognised tax loss carryforwards is as follows:

Expiry schedule	Tax assets (in millions of euros)
2018 to 2022	35.6
2023 to 2027	16.6
2028 and subsequent years	23.4
Unlimited	44.1
	119.7

Furthermore, the Group has unrecognised tax assets relating to reported, unused tax credits, totalling EUR 7.4 million.

The Group also has unrecognised tax assets amounting to EUR 325.0 million relating to the impairment loss recognised by Fomento de Construcciones, S.A. in prior years on its ownership interest in Azincourt, S.L., a holding company which holds the shares of the British company FCC Environment (UK). The amount of the impairment recognised, which was deemed to be non-deductible for income tax purposes, amounts to EUR 1,300.1 million. This amount might be deductible for income tax purposes in the future in the event of the winding-up of the company Azincourt Investment S.L.

b) Current tax receivables and payables

The detail at 31 December 2017 and 2016 of the current tax assets and liabilities is as follows:

Current assets

	2017	2016
VAT refundable (Note 16)	74,046	93,165
Current tax (Note 16)	26,954	6,099
Other taxes (Note 16)	51,264	49,313
	152,264	**148,577**

Current liabilities

	2017	2016
VAT payable (Note 22)	75,263	74,302
Current tax	37,485	37,143
Accrued social security and other t axes payable (Note 22)	156,976	169,797
Deferrals	25,318	6,768
	295,042	**288,010**

c) Income tax expense

The income tax expense accrued in 2017 amounted to EUR 59,576 thousand (2016: EUR 34,981 thousand), as shown in the accompanying consolidated income statement. The reconciliation of the tax benefit to the accrued tax charge is as follows:

	2017			2016		
Consolidated profit (loss) for the year before tax from continuing operations			**183,163**			**(161,211)**
	Increase	**Decrease**		**Increase**	**Decrease**	
Permanent differences	128,771	(80,391)	48,380	492,280	(131,978)	360,302
Adjusted consolidated accounting profit (loss) from continuing operations		231,543			199,091	
Temporary differences						
– Arising in the year	149,727	(99,652)	50,075	201,844	(156,446)	45,438
– Arising in prior years	121,793	(206,323)	(84,530)	142,046	(181,013)	(384,967)
Income and expense recognised directly in equity						—
Consolidated taxable profit (tax loss) from continuing operations		**197,088**			**205,562**	

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 2018 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.

In 2016 the increases under "Permanent differences" mostly include non-deductible losses for impairment of goodwill totalling EUR 317,846 thousand (Notes 7 and 27) and non-activated losses of the Giant subgroup until the loss of control totalling EUR 68,629 thousand. The reductions under this same heading include the profit for recognition at fair value of the share withheld following the capital increase at that subgroup of EUR 54,323 thousand (Notes 5, 12 and 27).

The reconciliation of the income tax expense is as follows:

	2017	2016
Adjusted consolidated accounting profit (loss) from continuing operations	231,543	199,091
Income tax charge	(48,427)	(43,673)
Tax credits and tax relief	1,866	3,336
Adjustments due to change in tax rate	2,791	124
Other adjustments	(15,806)	5,232
Income tax	**(59,576)**	**(34,981)**

In the above chart, the "Other adjustments" line for 2017 includes regularisations of prior years. That corresponding to 2016 includes the impact of the application of the aforementioned Royal Legislative Decree 3/2016, resulting in an expense for Corporation Tax of EUR 14,495 thousand being recorded, as a result of the reversion of deferred taxes related to the non-deductible impairment of holdings and impairment of orders considered to be deductible prior to 2013 but that the legislation cited now requires to be returned within five years.

The main components of income tax, making a distinction between current tax, i.e. the income taxes payable (recoverable) in respect of taxable profit (tax loss) for the year, and deferred tax, which is the impact on profit or loss of the origination or reversal of temporary differences that affect the amount of the deferred tax assets and liabilities recognised in the consolidated balance sheet, is as follows:

	2017	2016
Current tax	(48,909)	(42,012)
Deferred taxes	(13,458)	6,907
Adjustments due to change in tax rate	2,791	124
Income tax	**(59,576)**	**(34,981)**

In 2017 the "Adjustments due to change in tax rate" are a result mainly of the reduction in the UK income tax rate from 20% to 19%, which resulted in the recording of income of EUR 3,284 thousand, a consequence mainly of the reversal of deferred tax liabilities recognised on acquisition of the FCC Environment (UK) subgroup, as its assets were recognised at fair value, as established in IFRS 3 (Note 3.b).

25 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.

In 2017 no income or expenses were recognised in this connection. At 31 December 2017, the fair value of the contributed premiums covered all of the actuarial obligations assumed.

The liability side of the accompanying consolidated balance sheet for 2017 includes the present value, totalling EUR 2,564 thousand (2016: EUR 2,642 thousand), of the amounts payable in relation to the Spanish Group companies' post-employment benefit obligations to former Executives. Also in 2017, remuneration amounting to EUR 221 thousand was paid with a charge to this provision (2016: EUR 221 thousand).

Also, with regard to the contractual conditions agreed with the previous CEO, the Group set up a savings fund from which to compensate him if his contract was terminated during the first three years of its term on any grounds other than his voluntary resignation, objective dismissal or disciplinary dismissal. The payment will be of a compensatory nature, consisting of the compensation provided for in his contract and replacing any other compensation that might be derived from the termination of the contractual relationship. The fund was supplied with annual contributions made by Fomento de Construcciones y Contratas S.A. The contributions for this item in 2017 totalled EUR 510 thousand (2016: EUR 202 thousand). On 28 September 2017, the Company received the sum of EUR 712 thousand as recovery of the policy taken out.

Under article 38.5 of the articles of association, Fomento de Construcciones y Contratas S.A. takes out civil-liability insurance to cover directors and executives. The policy covers all the Group's directors as a whole. The premium paid in 2017 was EUR 1,333 thousand.

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 "Non-current provisions – Long-Term Employee Benefit Obligations" in the accompanying consolidated balance sheet, in accordance with IFRSs (Note 19).

The main benefits referred to in the preceding paragraph are as follows:

- The accompanying consolidated balance sheet as at 31 December 2017 includes the employee benefit obligations of the FCC Environment (UK) Group companies 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 52,337 thousand (31 December 2016: EUR 52,978 thousand), and the actuarial value of the accrued obligations amounted to EUR 58,261 thousand (31 December 2016: EUR 60,174 thousand). The net difference, representing a liability of EUR 5,924 thousand (31 December 2016: EUR 7,196 thousand), was recognised under "Non-current provisions" in the accompanying consolidated balance sheet. "Staff Costs" in the accompanying consolidated income statement includes a cost of EUR 588 thousand (31 December 2016: EUR 540 thousand) relating to the net difference between the service cost and the return on the plan assets. The average actuarial rate applied was 2.5% (2016: 2.7%).
- The accompanying consolidated balance sheet as at 31 December 2017 includes the employee benefit obligations of Telford & Wrekin Services, Ltd., 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 27,971 thousand (31 December 2016: EUR 26,385 thousand), and the actuarial value of the accrued obligations amounted to EUR 32,626 thousand (31 December 2016: EUR 33,532 thousand). The net difference, representing a liability of EUR 4,655 thousand (31 December 2016: EUR 7,147 thousand), was recognised under "Non-current provisions" in the accompanying consolidated balance sheet.

The detail of the changes in 2017 in the obligations and assets associated with the pension plans and similar obligations is as follows:

2017

Actual evolution of the present value of the obligation

	FCC Environment (UK) Group	Telford & Wrekin Services
Balance of obligations at beginning of year	**60,174**	**33,532**
Current service cost	214	433
Interest cost	1,522	864
Contributions by participants	16	83
Actuarial gains/losses	(341)	—
Changes due to exchange rate	(2,137)	(1,191)
Benefits paid in 2017	(1,292)	(740)
Cost of past services	105	—
Settlements	—	(355)
Balance of obligations at end of year	**58,261**	**32,626**

Actual evolution of the fair value of the plan assets

	FCC Environment (UK) Group	Telford &Wrekin Services
Balance of plan assets at beginning of year	**52,978**	**26,385**
Expected return on assets	1,343	681
Actuarial gains/losses	(369)	2,231
Changes due to exchange rate	(1,881)	(937)
Contributions by the employer	1,632	275
Contributions by participants	16	83
Benefits paid	(1,382)	(747)
Balance of plan assets at end of year	**52,337**	**27,971**

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	Telford &Wrekin Services
Net balance of obligations less plan assets at end of year	**5,924**	**4,655**

2016

Actual evolution of the present value of the obligation

	FCC Environment (UK) Group	Telford & Wrekin Services
Balance of obligations at beginning of year	**58,067**	**31,407**
Current service cost	197	348
Interest cost	1,866	1,011
Contributions by participants	18	92
Actuarial gains/losses	11,518	5,915
Changes due to exchange rate	(8,289)	(4,483)
Benefits paid in 2016	(3,321)	—
Cost of past services	118	—
Settlements	—	(758)
Balance of obligations at end of year	**60,174**	**33,532**

Actual evolution of the fair value of the plan assets

	FCC Environment (UK) Group	Telford &Wrekin Services
Balance of plan assets at beginning of year	**54,338**	**28,078**
Expected return on assets	1,758	912
Actuarial gains/losses	6,698	1,514
Changes due to exchange rate	(7,757)	(4,008)
Contributions by the employer	1,383	562
Contributions by participants	18	92
Benefits paid	(3,460)	(765)
Balance of plan assets at end of year	**52,978**	**26,385**

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)	Telford &Wrekin Services
Net balance of obligations less plan assets at end of year	**7,196**	**7,147**

26 Guarantee commitments to third parties and other contingent liabilities

At 31 December 2017, the Group had incurred contingent liabilities of EUR 3,998,868 thousand (31 December 2016: EUR 4,332,937 thousand) representing mainly guarantees to third parties, consisting mostly of completion bonds provided to Government Agencies and private-sector customers as security for the performance of construction projects and urban cleaning contracts.

In addition, the Group has issued letters of indemnity for certain executives with management and administration duties at dependent companies. At the time of preparing these financial statements risk to be provided for have been identified as a result. Such letters of indemnity are a common practice by multinationals that assign employees to work abroad in a dual role as company employees and executives of a subsidiary, in case the respective insurance policies for executives do not cover the contingency in full. With regard to the Group's Alpine business, letters of indemnity were issued for five executives.

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 (Note 19). The lawsuits, although numerous, represent scantly material amounts when considered individually. Accordingly, on the basis of past experience and the existing provisions, the resulting liabilities would not have a significant effect on the Group's equity.

With respect to the main contingent liabilities arising from the insolvency proceedings of the Alpine subgroup, it should be noted that the potential financial effects would be the outflow of cash of the amount indicated in the related claims detailed in Note 19 to these financial statements. In relation to the complaints filed on the one hand, by a bondholder against certain directors of Alpine Holding, GmbH, auditors of Alpine and their partners and, on the other, a former director of Banco Hypo Alpe Adria, both are cases of complaints filed in the criminal jurisdiction, which are still being investigated and, therefore, the criminal liability (and civil liability that might arise and which is the sole quantifiable liability) prevent the determination of an amount and timing of the potential outflow of benefits until the amount that might arise in connection with the liability can be determined. In turn, the court proceedings brought by the insolvency managers of Alpine Holding GmbH for EUR 186 million, although it is now at the "heard pending judgment" stage, since they constitute a new procedure, the legal arguments put forward by the parties, and the lack of any clear case law doctrine, it is to be supposed that the such proceedings may reach the Supreme Court, a situation which would give rise to a significant delay in the timing of the court proceedings, which, based on the preliminary estimates of the Group, could go on until 2020. In all cases, the possibility of indemnity payments, except for costs and court costs if our case prospers in court, is remote or practically non-existent.

In addition to the lawsuits related to Alpine, 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 management industry, including FCC and other companies in the FCC Group.

The Group filed a contentious-administrative appeal before the National Court of Justice. In late January 2018 we received notice of the decisions issued by the National Court of Justice finding in favour of the contentious-administrative appeals filed by Gestión y Valorización Integral del Centro S.L. and BETEARTE, both subsidiaries of FCC, against the CNMC decision imposing various sanctions for alleged collusion practices. Both these judgments accept the companies' representations that no single, continued infringement took place. The FCC Group does not expect any outgoings as a result of this legal action, although after the judgment was announced, the CNMC has told the media that it intends to appeal the judgments before a higher court.

On 15 August 2014, the customer responded to the action by rejecting the amounts claimed and filing a counter-claim for CAD 37.7 million (EUR 25.0 million at the exchange rate prevailing at 31 December 2017). On 7 November 2014, the consortium submitted their objections to the aforementioned counter-claim. On 19 January 2015, the customer filed a motion to delay the trial arguing that the claim was premature, since the agreement prohibits the initiation of legal actions prior the final handover of the works. The hearing for the motion took place on 21 April 2015 and the court accepted the client's motion and the proceedings were suspended, not to be resumed until the final handover of the works. On 18 August 2017 the works were provisionally handed over, and they were commissioned on 17 December. The final handover is scheduled for the second quarter of 2018. A negotiation process has recently been launched with the client with a view to amicably settling the existing disputes and so avoiding costly and potentially lengthy legal proceedings. The Group did not recognise any provisions or impairment losses in this connection, as the amounts claimed were not recognised in its consolidated financial statements.

At 2017 year-end Group management had not approved any restructuring plans.

The Group has other lawsuits and court proceedings underway in addition to those detailed above from which no significant outflows or cash are expected to arise.

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 (Note 13).

It should be noted in relation to the guarantees enforced or provided that the FCC Group has not obtained significant assets as a result of guarantees enforced in its favour.

27 Income and expenses

a) Operating income

The Group classifies operating income under "Revenue", including the interest income earned on the collection rights arising under the financial asset concession model pursuant to IFRIC 12 amounting to 9.822 thousand at 31 December 2017 (31 December 2016: EUR 9,600 thousand), with the exception of the in-house work on non-current assets and other income, such as grants related to income, emission allowances, etc.

Note 28, "Segment Reporting" shows the contribution of the business lines to consolidated revenue.

The detail of "Other Operating Income" in 2017 and 2016 is as follows:

	2017	2016
Income from sundry services	61,327	81,060
CO_2 emission allowances (Note 29)	3,185	—
Compensation received from insurance companies	6,474	5,924
Grants related to income	15,278	11,089
Other income	67,624	77,367
	153,888	**175,440**

b) Procurements

The detail of "Procurements" at 31 December 2017 and 2016 is as follows:

	2017	2016
Work performed by subcontractors and other companies	1,260,418	1,229,291
Purchases and procurements	918,281	916,890
	2,178,699	**2,146,181**

c) Staff cost

The detail of "Staff Costs" in 2017 and 2016 is as follows:

	2017	2016
Wages and salaries	1,364,354	1,389,944
Social security costs	389,115	393,331
Other staff costs	26,981	38,951
	1,780,450	**1,822,226**

The average number of employees at the Group, by professional category, in 2017 and 2016 was as follows:

	2017	2016
Managers and university graduates	1,599	1,787
Professionals with qualifications	5,214	4,657
Clerical and similar staff	2,802	3,385
Other salaried employees	46,757	45,775
	56,372	**55,604**

The average number of employees at the Group, by gender, in 2017 and 2016 was as follows:

	2017	2016
Men	43,981	43,535
Women	12,391	12,069
	56,372	**55,604**

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 2017 and 2016 is as follows:

	2017	2016
Gains or losses on disposals of other items of property plant and equipment and intangible assets	6,656	(2,159)
Impairment of other items of property, plant and equipment and intangible assets (recognition)/ reversal (Notes 7 and 8)	(19,766)	(331,578)
Other	369	52,058
	(12,741)	**(281,679)**

In 2017 there were no movements of any note under these headings.

In 2016, this heading included the impairment of goodwill at Cementos Portland Valderrivas totalling EUR 299,955 thousand (Note 7).

Moreover, in 2016 the heading "Other items" included the profit of EUR 54,323 thousand largely resulting from the recording at fair value of the share maintained at Giant after control was lost (Note 5).

The sum under "Profit/(loss) from other tangible and intangible fixed assets" and "Other items" impacts on the enclosed consolidated cash-flow statement under the heading "Other profit and loss adjustments (net)".

e) Other income and expenses

There were no significant variations in 2017.

In 2016, this heading included restructuring costs registered for the sum of EUR 53,000,000 and a liabilities provision of EUR 10,256,000 for the fine imposed on Cementos Portland Valderrivas by the National Competition Commission.

f) Finance income and costs

The detail of the finance income in 2017 and 2016, based on the assets giving rise to it, is as follows:

	2017	2016
Finance income arising from debt reduction (Note 20)	—	58,082
Held-for-trading financial assets	811	431
Available-for-sale financial assets	2,522	526
Held-to-maturity investments	1,266	2,173
Non-current and current credits	13,815	16,191
"Lump-sum payment" construction projects	2,326	1,009
Cash and cash equivalents and other	22,728	11,763
	43,468	**90,175**

The above chart shows the sum of EUR 22,728 thousand in 2017 (2016: 11,763 thousand) under "Cash and cash equivalents and other", which includes the financial compensation received for the deferred payment for the Panama Metro works (EUR 18,844 thousand).

The detail of the finance costs in 2017 and 2016 is as follows:

	2017	2016
Credit facilities and loans	203,652	288,795
Limited recourse project financing loans	24,752	26,941
Obligations under finance leases	1,705	2,466
Other third-party debts	17,610	34,702
Assignment of accounts receivable and "lump-sum payment" construction projects	26,624	8,049
Other finance costs	26,846	18,286
	301,189	**379,239**

The above chart includes the sum of EUR 22,728 thousand in 2017 (2016: EUR 8,049 thousand) under "Assignment of accounts receivable and 'lump-sum payment' construction projects", with an increase owing to a financial cost of EUR 19,293 thousand in relation to the Panama Metro works, the collection of which has been deferred, as mentioned above.

Also in 2017, the heading "Other third-party debts" includes costs associated with the cancellation of a financial derivative as a result of the acquisition by Fomento de Construcciones y Contratas S.A. of the bank debt of the UK subsidiary Kent Enviropower Limited (Allington), totalling EUR 8,313 thousand. In 2016 this heading included financial costs associated with the advance repayment of debts with third parties of Giant Cement Holding Inc. totalling EUR 20,014 thousand.

Also, the item "Credits and loans" has undergone a notable reduction this year, mostly as a result, on the one hand, of the switch from November 2016 to consolidating the cement-division subsidiary Giant Cement Holding Inc. by the participation method, owing to the loss of control (Notes 5 and 12), accounting for EUR 50,194 thousand for this item in 2016; and, on the other, of lower interest rates on third-party debts in the Cement and Corporate divisions. In the cement division, the reduction of EUR 14,957 thousand was caused by the renegotiation of the financing contract in 2016, under which the applicable interest rate was reduced (Note 20) and, at Corporate, the reduction of this item by EUR 11,504 thousand as a result of the refinancing of FCC's corporate debt, which came into effect on 8 June 2017 and caused the previous debt to be repaid in part by EUR 1,068.8 million, with a reduction in the interest rate applicable (Note 20).

The total sum of financial income and expenditure impacts on the enclosed consolidated cash-flow statement under the heading "Other profit and loss adjustments (net)" and "Interest received" and "Interest paid" when collected or paid.

g) Other net finance costs

The detail of the other net finance costs in 2017 and 2016 is as follows:

	2017	2016
Changes in fair value of current financial instruments	18,582	(22,192)
Exchange rates differences	(47,286)	5,932
Impairment and gains or losses on disposals of financial instruments	(179)	(5,942)
	(28,883)	**(22,202)**

In 2017 losses for exchange-rate differences totalled EUR 47,286 thousand (2016: a profit of EUR 5,932 thousand), almost all of which occurred in the Construction area (EUR 42,263 thousand), because of depreciation of the U.S. dollar (11.7%), the Saudi riyal (12.1%) and the Mexican peso (7.2%). The sum of exchange differences has an impact on the enclosed consolidated cash-flow statement under the heading “Other profit and loss adjustments (net)”.

Also, in 2017 the heading “Changes in fair value of current financial instruments” includes a profit of EUR 16,000 thousand for the receipt of an arbitration award with Veolia in respect of the sale of the Proactiva group in 2013 (Note 5). In 2016 this item showed losses of EUR 20,820 thousand owing to the decrease in the value of the receivable from Globalvia Infraestructuras S.A.(Notes 4 and 5), as forecast when the sale was completed. Both these sums have had an impact on the enclosed consolidated cash-flow statement, under “Other proceeds/(payments) relating to investing activities” (Note 5).

h) Result of companies accounted for using the equity method

The detail of “Result of companies accounted for using the equity method” is as follows:

	2017		2016	
Profit (Loss) for the year (Note 12)		34,285		55,502
Joint ventures	12,311		2,657	
Associates	21,974		52,845	
Gains or losses on disposals and other		(401)		942
		33,884		**56,444**

The decrease in “Profit (Loss) for the year” shown on the enclosed chart is mostly due to the fact that in 2016 the profit registered for the holding in the Realia Business group was EUR 31,568 thousand, mostly due to the haircuts granted in the process to refinance its financial debt and the provision of impairment of property inventories compared with the EUR 3,807 thousand contributed by the Realia Business group in 2017 (Note 12).

28 Segment reporting

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 and the operation of the companies that do not belong to any of the Group's business areas mentioned above.

"Eliminations" includes the elimination of inter-segment transactions.

Income statement by segment

In particular, the information shown in the following tables includes the following items as the segment result for 2017 and 2016:

- 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	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
2017							
Revenue	5,802,032	2,735,994	1,025,943	1,681,524	340,350	57,307	(39,086)
Non-group customers	*5,802,032*	*2,728,781*	*1,016,831*	*1,663,871*	*335,514*	*57,230*	*(195)*
Transactions with other segments	*—*	*7,213*	*9,112*	*17,653*	*4,836*	*77*	*(38,891)*
Other income	188,559	47,343	45,525	60,784	14,741	58,324	(38,158)
Non-group customers	188,559	46,608	45,385	64,878	14,550	15,903	*1,235*
Transactions with other segments	—	735	140	(4,094)	191	42,421	*(39,393)*
Operating expenses	(5,175,226)	(2,357,490)	(829,997)	(1,672,007)	(297,273)	(95,690)	77,231
Depreciation and amortisation charge and allocation to the consolidated income statement of grants related to non-financial non-current assets and other grants	(364,123)	(197,181)	(87,836)	(25,720)	(38,006)	(16,006)	626
Other income and expenses	(15,359)	(25,233)	(421)	40,208	6,298	3,785	(39,996)
Profit (Loss) from operations	**435,883**	**203,433**	**153,214**	**84,789**	**26,110**	**7,720**	**(39,383)**
Percentage of revenue	*7,51%*	*7,44%*	*14,93%*	*5,04%*	*7,67%*	*13,47%*	*100,76%*
Finance income	43,468	5,278	20,080	24,987	412	546,309	(553,598)
Finance costs	(301,189)	(110,867)	(44,131)	(24,702)	(15,778)	(167,329)	61,618
Other net finance income and costs	(28,883)	19,893	(1,671)	(42,563)	(4,634)	(162,985)	163,077
Result of companies accounted for using the equity method	33,884	14,906	8,704	(7,308)	(7,334)	24,833	83
Profit (Loss) before tax from continuing operations	**183,163**	**132,643**	**136,196**	**35,203**	**(1,224)**	**248,548**	**(368,203)**
Impuesto sobre beneficios	(59,576)	(22,446)	(38,697)	(14,576)	1,168	15,132	(157)
Profit (Loss) for the year from continuing operations	**123,587**	**110,197**	**97,499**	**20,627**	**(56)**	**263,680**	**(368,360)**
Profit (Loss) for the year from discontinued operations, net of tax	—	—	—	—	—	—	—
Consolidated profit (loss) for the year	**123,587**	**110,197**	**97,499**	**20,627**	**(56)**	**263,680**	**(368,360)**
Non-controlling interests	5,546	2,199	8,354	(6,196)	520	1,015	(346)
Profit (Loss) attributable to the Parent	**118,041**	**107,998**	**89,145**	**26,823**	**(576)**	**262,665**	**(368,014)**
Contribution to FCC Group profit (loss)	**118,041**	**107,998**	**89,145**	**26,823**	**(230)**	**262,665**	**(368,360)**

	Total Group	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
2016							
Revenue	5,951,591	2,728,066	1,009,815	1,652,596	536,211	61,878	(36,975)
Non-group customers	*5,951,591*	*2,720,929*	*998,967*	*1,638,360*	*531,457*	*61,878*	*—*
Transactions with other segments	*—*	*7,137*	*10,848*	*14,236*	*4,754*	*—*	*(36,975)*
Other income	228,370	69,303	43,956	90,268	14,952	45,682	(35,791)
Non-group customers	*228,368*	*68,561*	*44,195*	*97,335*	*14,892*	*3,385*	*—*
Transactions with other segments	*2*	*742*	*(239)*	*(7,067)*	*60*	*42,297*	*(35,791)*
Operating expenses	(5,346,255)	(2,358,692)	(822,339)	(1,687,838)	(461,939)	(88,157)	72,710
Depreciation and amortisation charge and allocation to the consolidated income statement of grants related to non-financial non-current assets and other grants	(399,312)	(191,354)	(88,005)	(39,895)	(61,211)	(19,473)	626
Other income and expenses	(340,782)	(25,548)	675	(62,501)	(148,415)	(104,993)	—
Profit (Loss) from operations	**93,611**	**221,775**	**144,102**	**(47,370)**	**(120,402)**	**(105,063)**	**569**
Percentage of revenue	*1,57%*	*8,13%*	*14,27%*	*(2,87%)*	*(22,45%)*	*(169,79%)*	*(1,54%)*
Finance income	90,175	2,421	8,178	11,974	1,895	214,113	(148,406)
Finance costs	(379,239)	(108,485)	(43,331)	(21,353)	(106,807)	(189,606)	90,343
Other net finance income and costs	(22,202)	643	(8,452)	(4,381)	4,480	(14,207)	(285)
Result of companies accounted for using the equity method	56,444	7,908	10,062	(24,762)	(5,579)	68,800	15
Profit (Loss) before tax from continuing operations	**(161,211)**	**124,262**	**110,559**	**(85,892)**	**(226,413)**	**(25,963)**	**(57,764)**
Income tax	(34,981)	(32,358)	(27,595)	13,359	2,502	(18,654)	27,765
Profit (Loss) for the year from continuing operations	**(196,192)**	**91,904**	**82,964**	**(72,533)**	**(223,911)**	**(44,617)**	**(29,999)**
Profit (Loss) for the year from discontinued operations, net of tax	(7,294)	—	—	—	—	(7,294)	—
Consolidated profit (loss) for the year	**(203,486)**	**91,904**	**82,964**	**(72,533)**	**(223,911)**	**(51,911)**	**(29,999)**
Non-controlling interests	(41,912)	3,593	6,783	(6,291)	991	—	(46,988)
Profit (Loss) attributable to the Parent	**(161,575)**	**88,311**	**76,181**	**(66,242)**	**(224,902)**	**(51,911)**	**16,988**
Contribution to FCC Group profit (loss)	**(161,575)**	**88,311**	**76,181**	**(66,242)**	**(177,963)**	**(51,911)**	**(29,950)**

The contribution of the "Corporate" segment to the FCC Group's result includes mainly the impairment of the ownerships interests of the heads of the rest of the segments, as well as the dividends paid by the Group companies, and the finance income billed to other Group companies as a result of the intra-group loans granted by the Parent to other investees. All of these items are eliminated, as shown in the "Eliminations" column, as they are transactions with Group companies. Also, the "Corporate" segment includes borrowing costs relating to bank borrowings, mainly in connection with the syndicated debt of Fomento de Construcciones y Contratas, S.A.

As at 31 December 2016 the "Corporate" segment also includes impairment of the UGE goodwill corresponding to the entire Cementos Portland subgroup, totalling EUR 112,764 thousand (Notes 7 and 27).

Balance sheet by segment

2017	Total Group	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
ASSETS							
Non-current assets	**6,760,761**	**2,468,036**	**2,339,447**	**673,804**	**1,243,268**	**3,594,863**	**(3,558,657)**
Intangible assets	2,485,248	783,349	848,196	78,285	519,458	313,377	(57,417)
Additions	63,415	32,146	24,975	135	—	6,159	—
Property, plant and equipment	2,455,863	1,402,051	335,212	125,812	589,226	20,979	(17,417)
Additions	219,690	162,528	27,618	21,324	6,251	1,969	—
Investment property	3,188	198	—	2,990	—	—	—
Additions							
Investments accounted for using the equity method	650,640	83,986	125,026	59,711	56,358	325,319	240
Non-current financial assets	328,374	159,927	992,719	8,671	8,278	2,642,843	(3,484,064)
Deferred tax assets	837,448	38,525	38,294	398,335	69,948	292,345	1
Current assets	**3,806,160**	**993,408**	**560,984**	**1,710,902**	**185,361**	**677,150**	**(321,645)**
Non-current assets classified as held for sale	41,365	—	—	—	—	41,365	—
Inventories	569,627	20,553	30,124	158,745	69,222	291,618	(635)
Trade and other receivables	1,722,114	711,547	235,780	664,815	74,940	71,200	(36,168)
Other current financial assets	158,569	84,091	46,837	241,678	23,262	47,543	(284,842)
Other current assets	76,230	35,943	1,190	37,170	1,930	(3)	—
Cash and cash equivalents	1,238,255	141,274	247,053	608,494	16,007	225,427	—
Total assets	**10,566,921**	**3,461,444**	**2,900,431**	**2,384,706**	**1,428,629**	**4,272,013**	**(3,880,302)**
EQUITY AND LIABILITIES							
Equity	**938,519**	**474,579**	**474,752**	**730,234**	**747,232**	**973,751**	**(2,462,029)**
Non-current liabilities	**6,112,718**	**1,147,332**	**1,887,331**	**331,808**	**582,206**	**3,215,844**	**(1,051,803)**
Grants	215,372	6,305	45,000	—	699	163,368	—
Non-current provisions	1,140,965	445,893	116,400	249,212	34,541	294,919	—
Non-current financial liabilities	4,279,585	442,826	1,669,671	27,411	466,903	2,719,954	(1,047,180)
Deferred tax liabilities	312,653	97,117	51,937	55,184	80,063	32,975	(4,623)
Other non-current liabilities	164,143	155,191	4,323	1	—	4,628	—
Current liabilities	**3,515,684**	**1,839,533**	**538,348**	**1,322,664**	**99,191**	**82,418**	**(366,470)**
Liabilities associated with non-current assets classified as held for sale	14,241	—	—	—	—	14,241	—
Current provisions	165,793	7,546	13,407	128,784	7,761	8,296	(1)
Current financial liabilities	827,528	407,455	47,147	26,188	27,427	649,183	(329,872)
Trade and other payables	2,508,122	580,669	471,443	1,353,373	64,003	75,353	(36,719)
Intra-Group transactions	—	843,863	6,351	(185,681)	—	(664,655)	122
Total equity and liabilities	**10,566,921**	**3,461,444**	**2,900,431**	**2,384,706**	**1,428,629**	**4,272,013**	**(3,880,302)**

2016	Total Group	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
ASSETS							
Non-current assets	**7,008,694**	**2,535,968**	**1,489,830**	**715,109**	**1,297,045**	**4,213,612**	**(3,242,870)**
Intangible assets	2,536,258	772,968	882,243	79,091	522,929	338,209	(59,182)
Additions	*82,693*	*38,219*	*19,945*	*188*	*12*	*24,329*	—
Property, plant and equipment	2,520,255	1,437,379	320,261	140,032	618,795	21,386	(17,598)
Additions	*209,874*	*148,148*	*26,477*	*26,157*	*7,719*	*1,373*	—
Investment property	14,303	161	—	3,176	—	10,966	—
Additions	—	—	—	—	—	—	—
Investments accounted for using the equity method	669,002	81,116	129,552	59,611	71,565		
Non-current financial assets	510						
Deferred tax assets	322,252	141,699	111,222	17,552	8,030	3,210,350	(3,166,601)
Current assets	946,624	102,645	46,552	415,647	75,726	306,053	1
Non-current assets classified as held for sale	**3,761,087**	**932,166**	**833,402**	**1,700,896**	**188,929**	**830,970**	**(725,276)**
Inventories	14,907	—	—	—	—	14,907	—
Trade and other receivables	581,627	22,548	27,167	166,433	69,362	297,417	(1,300)
Other current financial assets	1,690,807	635,810	281,409	700,537	76,536	76,072	(79,557)
Other current assets	263,726	66,091	425,093	167,485	15,713	233,762	(644,418)
Cash and cash equivalents	63,935	27,521	1,014	33,033	2,149	219	(1)
Efectivo y otros activos líquidos equivalentes	1,146,085	180,196	98,719	633,408	25,169	208,593	—
Total assets	**10,769,781**	**3,468,134**	**2,323,232**	**2,416,005**	**1,485,974**	**5,044,582**	**(3,968,146)**
EQUITY AND LIABILITIES							
Equity	**872,879**	**487,588**	**853,209**	**697,768**	**343,796**	**494,408**	**(2,003,890)**
Non-current liabilities	**6,595,636**	**1,524,162**	**906,061**	**571,308**	**1,034,026**	**3,797,428**	**(1,237,349)**
Grants	225,460	7,475	43,140	—	1,570	173,275	—
Non-current provisions	1,175,595	404,589	115,570	256,374	19,889	379,172	1
Non-current financial liabilities	4,659,288	819,031	692,229	249,983	934,065	3,196,550	(1,232,570)
Deferred tax liabilities	360,347	122,739	50,612	64,951	78,502	48,322	(4,779)
Other non-current liabilities	174,946	170,328	4,510	—	—	109	(1)
Current liabilities	**3,301,266**	**1,456,384**	**563,962**	**1,146,929**	**108,152**	**752,746**	**(726,907)**
Liabilities associated with non-current assets classified as held for sale	14,907	—	—	—	—	14,907	—
Current provisions	202,911	6,794	17,335	156,506	12,572	9,705	(1)
Current financial liabilities	557,161	126,217	48,109	47,158	28,859	951,620	(644,802)
Trade and other payables	2,526,287	547,370	494,438	1,419,558	66,721	80,304	(82,104)
Intra-Group transactions	—	776,003	4,080	(476,293)	—	(303,790)	—
Total Equity and Liabilities	**10,769,781**	**3,468,134**	**2,323,232**	**2,416,005**	**1,485,974**	**5,044,582**	**(3,968,146)**

(*) The comparative figures from 2016 have been re-expressed to record the impact of the takeover bid for Cementos Portland Valderrivas S.A. made in 2017 (Notes 2, 5, 18 and 20).

Cash flows by segment

	Total Group	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
2017							
From operating activities	768,864	407,543	231,236	12,027	62,151	558,201	(502,294)
From investing activities	(150,914)	(209,011)	(552,631)	261,883	(7,153)	519,736	(163,738)
From financing activities	(473,709)	(235,661)	470,733	(252,272)	(61,216)	(1,061,327)	666,034
Other cash flows	(52,071)	(1,794)	(1,004)	(46,552)	(2,944)	225	(2)
Cash flows for the year	**92,170**	**(38,923)**	**148,334**	**(24,914)**	**(9,162)**	**16,835**	**—**
2016							
From operating activities	1,024,902	715,677	218,096	(3,985)	74,764	93,228	(72,878)
From investing activities	(94,686)	(143,327)	(113,899)	(79,961)	(1,620)	(100,264)	344,385
From financing activities	(1,091,314)	(645,908)	(96,234)	58,786	(76,716)	(59,734)	(271,508)
Other cash flows	(38,332)	(30,469)	(6,563)	3,473	(2,075)	(2,699)	1
Cash flows for the year	**(199,430)**	**(104,027)**	**1,400**	**(21,687)**	**(5,647)**	**(69,469)**	**—**

b) Activities and investments by geographical market

Approximately 45% of the Group's business is conducted abroad (2016: 48%).

The breakdown, by market, of the revenue earned abroad by the Group companies in 2017 and 2016 is as follows

	Total	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
2017							
United Kingdom	755,116	698,283	—	23,850	32,949	—	—
Middle East and Africa	653,911	10,193	61,514	507,245	81,788	—	(6,829)
Rest of Europe and other	463,139	263,325	66,936	115,504	17,882	—	(507)
Latin America	414,538	—	14,579	384,831	2,921	17,183	(4,976)
Czech Republic	264,416	172,017	92,051	348	—	—	—
US and Canada	65,743	23,719	—	40,085	1,939	—	—
	2,616,863	**1,167,571**	**235,080**	**1,071,863**	**137,479**	**17,183**	**(12,312)**
2016							
United Kingdom	889,243	775,954	—	80,797	32,494	—	(2)
Middle East and Africa	716,180	16,053	65,260	534,062	110,095	—	(9,290)
Rest of Europe and other	428,446	244,030	58,505	113,712	13,038	—	(839)
Latin America	355,966	—	31,842	295,523	8,962	26,118	(6,479)
Czech Republic	241,557	151,836	89,453	268	—	—	—
US and Canada	247,697	14,227	—	47,391	186,080	—	(1)
	2,879,089	**1,202,100**	**245,060**	**1,071,753**	**350,669**	**26,118**	**(16,611)**

The following information, by geographical area, included in the accompanying consolidated financial statements is shown below:

	Total Group	Spain	United Kingdom	Czech Republic	Rest of Europe and other	US and Canada	Latin America	Middle East and Africa
2017								
ASSETS								
Intangible assets	2,485,248	1,547,316	488,049	1,504	239,350	—	209,022	7
Property, plant and equipment	2,455,863	1,194,200	641,108	286,992	270,113	15,557	27,572	20,321
Investment property	3,188	198	—	—	2,990	—	—	—
Deferred tax assets	837,448	795,351	17,503	3,403	9,360	1,585	8,359	1,887
2016								
ASSETS								
Intangible assets	2,536,258	1,585,815	486,062	1,046	239,876	—	223,195	264
Property, plant and equipment	2,520,255	1,208,496	686,443	275,238	259,372	18,616	32,416	39,674
Investment property	14,303	535	—	—	13,768	—	—	—
Deferred tax assets	946,624	837,315	78,545	2,970	10,884	1,894	8,123	6,893

c) Headcount

The average number of employees in 2017 and 2016, by business area, was as follows:

	2017	2016
Environmental Services	40,532	39,723
End-to-End Water Management	7,934	7,905
Construction	6,529	6,133
Cement	1,075	1,562
Corporate	301	281
	56,371	**55,604**

29 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 2017, the acquisition cost of the non-current assets assigned to production in the Environmental Services Area, net of depreciation and amortisation, totalled EUR 2,185,400 thousand (31 December 2016: EUR 2,210,347 thousand). The environmental provisions, mainly for landfill sealing and shutdown expenses, totalled EUR 356,620 thousand (31 December 2016: EUR 319,229 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 end-to-end water management and ensuring the availability of water so as to allow sustainable growth of the areas where it provides its services. One of the main objectives of FCC Aqualia is continuous improvement through an End-to-End Management System, which includes both the management of the quality of the processes, products and services and environmental management. The main activities performed are: water quality control at both the collection and distribution stages, a 24-hour, 365 days per 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, the elimination of environmental impact caused by the discharge of waste water and energy-efficiency management with a view to reducing the carbon footprint.

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 2016, the Cementos Portland Valderrivas Group had made environmental investments amounting to EUR 134,182 thousand (2016: EUR 134,093 thousand), which were recognised under "Intangible Assets" and "Property, Plant and Equipment". The related accumulated depreciation and amortisation charge amounted to EUR 83,097 thousand (2016: EUR 78,319 thousand). Also in 2017 expenses were incurred to assure environmental protection and improvement totalling EUR 1,726 thousand (2016: EUR 3,625 thousand), registered under "Other operating expenses" in the enclosed consolidated income statement.

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 2017 emission allowances equivalent to 3,471 thousand tonnes per annum were received (2016: 4,032 thousand tonnes) corresponding to Cementos Portland Valderrivas, S.A. and Cementos Alfa, S.A.

"Operating Income" in the accompanying consolidated income statement includes the income obtained from operations to sell greenhouse-gas rights in 2017, totalling EUR 3,185 thousand. In 2016 no greenhouse-gas rights were sold.

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 effluents 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 2017 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 Note 9 of the Directors' Report and to the Group's "Corporate Social Responsibility" report, which is published annually on FCC's website (www.fcc.es) and via other channels.

30 Financial risk management policies

The concept of financial risk refers to the changes in the financial instruments arranged by the FCC Group as a result of political, market and other factors and the repercussion thereof on the 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:

a) Capital risk

For capital management purposes, the fundamental aim of the FCC Group is to reinforce the financial and equity structure to improve the Debt/Equity Ratio, in an attempt, on the one hand, to reduce the cost of capital and in turn maintain capital adequacy, in order to continue managing its activities and, on the other, to maximise value for shareholders, not just at Group level, but also at Parent level, i.e. at Fomento de Construcciones y Contratas, S.A. level.

The fundamental basis that the Group considers as capital is reflected under "Equity" in the consolidated balance sheet, which for management and monitoring purposes excludes both "Changes in Fair Value of Financial Instruments" and "Translation Differences".

"Changes in Fair Value of Financial Instruments" is excluded for management purposes as it is considered within the management of interest rate risk since it is the result of the measurement of instruments that convert floating-rate debt into fixed-rate debt. Translation differences are managed as part of the foreign currency risk management activities.

In addition to the contents of the preceding paragraph, it should also be noted that the Company's financial liabilities include a component which may be considered capital for management purposes: the convertible bonds. This item is not included, due to the unsubordinated nature of such bonds once the refinancing has been arranged.

In light of the industry in which the Group operates, it is not subject to external capital requirements, although this does not prevent regular monitoring of the equity ratio in order to guarantee a financial structure that is based on compliance with the legislation in force in the countries in which the Group operates. The capital structure of each of the subsidiaries is also analysed in order to strike a suitable balance between debt and equity.

Proof of the foregoing are the capital increases of EUR 1,000,000 thousand performed at the end of 2014 and completed in March 2016 of EUR 709,519 thousand, both of which are earmarked to strengthen the Company's capital structure.

Also, as explained in Note 20 on non-current and current financial liabilities, on 8 June the renewal of the syndicated loan of Fomento de Construcciones y Contratas S.A. and certain dependent companies came into effect.

Also, as explained in Note 20 on non-current and current financial liabilities, in September 2016 much of the convertible bond issue of Fomento de Construcciones y Contratas S.A. was repaid. This, together with other smaller request in subsequent months, represented repayment of the issue at 2017 year-end of EUR 420 million, i.e., nearly 93% of the total. This cancellation has made it possible to substantially reduce the annual finance cost of 6.5% associated with this issue. In July 2016 a new financing structure came into effect at the head of the cement division, Cementos Portland Valderrivas S.A., following the amortisation of more than EUR 270 million with funds obtained from the capital increase in March 2016, including a new due date of five years and a substantial reduction of the financial cost, enabling the financing structure to match the forecast generation of cash.

With these operations the FCC Group has made significant progress in the process that is under way, consolidating and optimising the capital structure to provide a solid finance platform, while strengthening operational capacity and flexibility.

The finance department, which is responsible for managing financial risks, regularly reviews the financial debt ratio and compliance with finance covenants, as well as the capital structure of the subsidiaries.

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 2017 99% of the Group's net debt was denominated in euros, followed in second place by US dollar:

CONSOLIDATED (in thousands of euros)								
	Euro	US dollar	Pound sterling	Czech koruna	Non-eurozone European currencies	Latin America	Other	TOTAL
Total consolidated net debt	3,472,793	(316,897)	294,723	176,266	(833)	13,892	(60,453)	3,579,491
Net debt as a percentage of total debt	97.0%	(8.9%)	8.2%	4.9%	(0.0%)	0.4%	(1.7%)	100.0%

The breakdown, by currency, of cash and cash equivalents is detailed in Note 17 to these consolidated financial statements, which indicates that 56.5% was denominated in euros at 31 December 2017 (31 December 2016: 43.4%).

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 FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

The following table summarises the sensitivity to changes in the exchange rates of the two main currencies in which the Group operates, the US dollar and the pound sterling:

	+ 10% pound sterling and US dollar	
	Profit or loss	Equity
Pound sterling	54	23,594
US dollar	(1,289)	(257)
Total	**(1,235)**	**23,337**

	- 10% pound sterling and US dollar	
	Profit or loss	Equity
Pound sterling	(54)	(23,594)
US dollar	1,289	257
Total	**1,235**	**(23,337)**

The impact on the pound sterling is due mainly to the conversion of the new assets relating to the investment held in the FCC Environment (UK) subgroup.

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 2017, accounting for 40% 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	Environmental Services	Cement	End-to-End Water Management	Corporate	Consolidated
Total gross borrowings	50,052	580,069	492,417	1,671,713	2,182,016	4,976,267
Hedges and fixed rate financing at 31.12.17	(20,056)	(207,854)	(6,998)	(1,614,867)	(126,375)	(1,976,150)
Total floating-rate debt	**29,996**	**372,215**	**485,419**	**56,846**	**2,055,641**	**3,000,117**
Ratio: Floating-rate debt / Gross borrowings at 31.12.17	**59.9%**	**64.2%**	**98.6%**	**3.4%**	**94.2%**	**60.3%**

The following table summarises the effect that the increases in the interest rate yield curve on gross debt, after excluding any hedged debt, would have on the FCC Group's consolidated income statement:

	Gross borrowings		
	+25 pb	+50 pb	+100 pb
Impact on the income statement	8,242	16,484	32,967

d) Solvency risk

The most representative ratio for measuring solvency and capability of repaying the debt is: Net Debt/Ebitda.

At 31 December 2017, the FCC Group's net financial debt presented in the accompanying consolidated balance sheet amounted to EUR 3,579,491 thousand, as shown in the following table:

	2017	2016
Bank borrowings	3,157,248	4,536,136
Debt instruments and other marketable securities	1,609,155	232,369
Other interest-bearing financial debt	209,912	232,562
Current financial assets	(158,569)	(264,052)
Cash and cash equivalents	(1,238,255)	(1,146,085)
Net financial debt	**3,579,491**	**3,590,930**
Net limited recourse debt	**(2,296,392)**	**(1,261,817)**
Net recourse borrowings	**1,283,099**	**2,329,113**

The reduction in net debt with recourse has been caused by the exclusion of the debt of the group of companies headed by FCC Aqualia, and as a result of the issue of the bonds mentioned under the risk-capital section of this note and in note 20 on current and non-current financial liabilities.

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 adequate 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.

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 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 mitigate liquidity risk.

At 31 December 2017, the Group had the following repayment schedule for its gross borrowings, which for 2018 amount to EUR 751,699 thousand (31 December 2016: EUR 3,506,172 thousand).

2018 Total Jan-Dec	2019 Total Jan-Dec	2020 Total Jan-Dec	2021 and subsequent years	TOTAL
751,699	328,372	269,411	3,626,785	4,976,267

A significant portion of the gross financial debt, EUR 2,779,753 thousand, has no recourse to the controlling company, including the financial debt in the End-to-end Water Management division, totalling EUR 1,671,713 thousand as at 31 December 2017.

As at 31 December 2017 the Group presents positive goodwill of EUR 290,476 thousand (31 December 2016: EUR 459,821 thousand).

In addition, in 2016 the sale of the Globalvia subgroup was completed for EUR 95,161 thousand, in February 2017 the sum of EUR 106,444 thousand was collected as the final deferred price. In 2016 the participating interest in the company Metro de Málaga S.A. was sold for EUR 27,446 thousand (Note 5).

In order to manage liquidity risk, at 31 December 2017 the Group had cash amounting to EUR 1,082,236 thousand, as well as the following current financial assets and cash equivalents, which mature as follows:

Thousands of euros	Amount	1-3 months	3-6 months	6-9 months	9-12 months
Other current f inancial assets	158.569	24.108	15.844	14.567	104.050

Thousands of euros	Amount	1 month	1-2 months	2-3 months
Cash equivalents	156,019	148,841	–	7,178

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 arranges various financial products, including loans, credit facilities, bonds, syndicated transactions, factoring, discounting, etc.
- Currency: the FCC Group finances its operations in a wide variety of currencies, corresponding to the country of origin.

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 and others. In terms of geographical diversification, in 2017 business abroad accounted for 45% of total sales, with particular relative importance in the Group's most significant areas: infrastructure construction and environmental services.

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 the various management committees.

The maximum level of exposure to credit risk was calculated, the detail of which at 31 December 2017 is as follows:

Financial loans granted	625,378
Trade and other receivables	1,722,114
Assets relating to financial derivatives	443
Cash and cash equivalents	1,238,255
Guarantees provided	3,998,868
TOTAL	**7,585,058**

In general, the Group does not have collateral, guarantees or enhancements to improve the credit risk for the financial loans or the trade receivables. However, it should be noted that in the case of certain agreements relating to the Water Area, mostly service concession arrangements subject to IFRIC 12, guarantees are requested from the customers, and there are compensation mechanisms in certain arrangements, mostly service concession arrangements subject to IFRIC 12 in the Water and Environmental Services Areas, which guarantee recovery of the loans granted to finance the initial fixed charges paid in advance or investment plans.

With respect to the creditworthiness, the Group applies its best criterion to recognise impairment on those financial assets for which uncertainty exists as to their recoverability. Therefore, since most of the unprovisioned financial assets relate to public sector customers in the Construction and Environment Areas, it should be considered that there is no risk of non-payment since the creditworthiness of those customers is high.

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 for the euro with an average of around 0.63% in the medium and long term at 31 December 2017, 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 pb	+50 pb	+100pb
Impact on equity:			
Full consolidation	3,875	7,588	14,709
Equity method	12,590	25,285	49,770

31 Information on related party transactions

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 2017 and 2016 and payable to them by the Company or by any of the Group companies, joint ventures or associates is as follows:

	2017	2016
Fixed remuneration	1,066	1,230
Other remuneration (*)	2,141	1,738
	3,207	**2,968**

(*) Includes in 2017 a severance payment of EUR 708 thousand, including a no-competition agreement, made to the previous CEO. Also included is Alejandro Aboumrad's contract to provide services (EUR 338 thousand).

The Senior Executives listed below, who are not members of the Board of Directors, earned total remuneration of EUR 3,168 thousand in 2017 (2016: EUR 3,507 thousand).

2017	
Marcos Bada Gutierrez	General Internal Audit Manager
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel A. Martínez Parra	General Manager of Administration and Finance
Félix Parra Mediavilla	General Manager of FCC Aqualia

The total remuneration figure includes sums paid to Pablo Colio over the period between 16 January 2017 (when he was appointed as Managing Director of FCC Construcción) and 12 September 2017 (when he was appointed as CEO). Also included are sums corresponding to a severance payment for a senior manager in 2017.

2016	
Marcos Bada Gutierrez	General Internal Audit Manager
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel Jurado Fernández	Manager of FCC Construcción
Félix Parra Mediavilla	General Manager of FCC Aqualia

Note 25 on “Pension plans and similar obligations” describes the insurance taken out for certain directors and senior executives, and the economic fund set up to compensate the Senior Executive/CEO of the company Fomento de Construcciones y Contratas S.A. or its Group.

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:

Nombre o denominación social del consejero	Denominación social de la entidad del grupo	Cargo
CARLOS MANUEL JARQUE URIBE	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	DIRECTOR
GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CEO
	REALIA BUSINESS, S.A.	CEO
JUAN RODRÍGUEZ TORRES	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	NON-EXECUTIVE CHAIRMAN
ALVARO VÁZQUEZ DE LAPUERTA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
INMOBILIARIA AEG S.A. DE C.V.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHAIRMAN'S OFFICE
	REALIA BUSINESS, S.A.	DIRECTOR
PABLO COLIO ABRIL	FCC INDUSTRIAL PERÚ, S.A.	BOARD MEMBER
	GUZMAN ENERGY O&M, S.L.	CHAIRMAN

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.

In 2017 no significant transactions giving rise to a transfer of resources or obligations between Group companies and their Executives or Directors were carried out.

b) Situations of conflict of interest

No situations of direct or indirect conflict of interest with the interests of Fomento de Construcciones y Contratas S.A. have come to light, in accordance with the applicable law (s. 229 Capital Companies Act), without prejudice to the Company's operations with related parties contained in this report or any agreements on remuneration issues or the appointment of officers. In this regard, whenever ad hoc conflicts of interest have come to light affecting certain directors, they have been resolved according to the procedure provided under the Board Rules, with the persons involved standing aside from the relevant discussions and votes.

c) 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 income statement includes EUR 141,708 thousand (2016: EUR 105,971 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 13,063 thousand (2016: EUR 14,939 thousand).

d) Operations with associated parties

During the year various operations took place with companies with which shareholders of Fomento de Construcciones y Contratas S.A. are associated. The most significant of these were as follows:

- Contracts for technical support and consulting between Inmobiliaria and Realia, regarding the development of 33 houses at A.R. Nuevo Tres Cantos and the associated marketing contract.
- Contracts for technical support and consulting between Inmobiliaria and Realia for a development for 86 homes, garage spaces, storage rooms and common areas on plot 1-6.A at A.R. Nuevo Tres Cantos, plus the corresponding marketing contract.
- Factoring line for EUR 130 million with assignment of credits without financing recourse granted by the Inbursa finance group to Fomento de Construcciones y Contratas.
- Financing by the Inbursa finance group to FCC Construcción S.A. for Panama Metro line 2, by means of the acquisition of works certificates totalling USD 415 million.
- Marketing contracts between F C y C S.L.U. (principal) and Realia Business S.A. (agent) and contract for technical assistance and consulting provided by Realia Business S.A. to F C y C S.L. related to the new Buenavista residential estate in Tres Cantos, phase II.
- In the framework of the refinancing of the debt associated with the Spanish business of the Cementos Portland Valderrivas group in 2016, a subordinated financing contract was entered into, with a book value as at 31 December 2017 of EUR 70,405 thousand, with Banco Inbursa S.A., Institución de Banca Múltiple. The finance costs accrued during the year totalled EUR 2,316 thousand.

Additionally, other operations are carried out under market conditions, mostly telephone and ISP services, with associated parties related to the majority shareholder. The sums involved are not significant.

e) Mechanisms established to detect, determine and resolve possible conflicts of interests between the Parent and/or its Group and its Directors, Executives or significant shareholders.

The FCC Group has established 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 20 et seq. of the Board's Regulations.

32 Fees paid to auditors

The fees paid correspond to the 2017 and 2016 fiscal years for auditing and other professional and verification services provided for the various Group and jointly managed companies within the FCC Group, by the main auditor and other participants in the audits of the various Group companies and associate entities, both in Spain and abroad, are shown on the chart below:

	2017			2016		
	Principal auditor	Other auditors	Total	Principal auditor	Other auditors	Total
Audit services	3,115	482	3,597	2,917	413	3,330
Other attest services	475	414	889	201	21	22
Total audit and related services	**3,590**	**896**	**4,486**	**3,118**	**434**	**3,552**
Tax counselling services	69	1,310	1,379	210	1,425	1,635
Other services	374	1,845	2,219	581	4,543	5,124
Total professional services	**443**	**3,155**	**3,598**	**791**	**5,968**	**6,759**
	4,033	**4,051**	**8,084**	**3,909**	**6,402**	**10,311**

33 Events after the reporting period

On 17 November 2017 the companies FCC Aqualia and MIT Infrastructure Europe Ltd publicly certified an agreement entered into on that date under which the former acquired from the second 49% of the share capital held in the companies Aqualia Czech S.L. and Aqualia Infraestructuras Inzenyring s.r.o. for a price of €83,435 thousand and €9,065 thousand, respectively.

On 9 January 2018, both these sums were paid up following receipt of the Protection of Competition authorities' authorisation for the share transfer to proceed.

On 20 February 2018 the Group reported that following the receipt of a bid by the investment fund IFM Global Infrastructure Fund ("IFM") to purchase a minority stake in the company FCC Aqualia S.A., exclusive negotiations between FCC and IFM are at advanced stages regarding the acquisition by IFM of a 49% stake in FCC Aqualia S.A.

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	
Beootpad d.o.o. Beograd	Serbia	100.00	
Castellana de Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Compañía Catalana de Servicios, S.A.	Balmes, 36 – Barcelona	100.00	
Compañía Control de Residuos, S.L.	Peña Redonda, 27 P.I. Silvota – Llanera (Asturias)	100.00	
Corporación Inmobiliaria Ibérica, S.A.	Federico Salmón, 13 – 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 (Biscay)	51.00	
Empresa Comarcal de Serveis Mediambientals del Baix Penedés – ECOBP, S.L.	Plaça del Centre, 3 – El Vendrell (Tarragona)	66.60	Capital Auditors
Enviropower Investments Limited	United Kingdom	100.00	
Europea de Tratamiento de Residuos Industriales, S.A.	Federico Salmón, 13 – Madrid	100.00	
FCC (E&M) Holdings Ltd.	United Kingdom	100.00	Deloitte
FCC (E&M) Ltd.	United Kingdom	100.00	Deloitte
FCC Ámbito, S.A. Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Environment Portugal, S.A.	Portugal	100.00	Deloitte
FCC Environment Services (UK) Limited	Reino Unido	100.00	Deloitte
FCC Environmental Services (USA) Llc.	E.E.U.U.	100.00	
FCC Equal CEE, SL	Federico Salmón, 13 - Madrid	100.00	

Company	Registered office	Effective percentage of ownership	Auditor
FCC Equal CEE Andalucía, S.L.		100.00	
FCC Equal CEE Murcia, S.L.		100.00	
FCC Equal CEE C. Valenciana, S.L.		100.00	
FCC Medio Ambiente, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Gamasur Campo de Gibraltar, S.L.	Antigua Ctra. de Jimena de la Frontera, s/n – Los Barrios (Cádiz)	85.00	
Gandia Serveis Urbans, S.A.	Llanterners, 6 – Gandia (Valencia)	95.00	Centium
Gestió i Recuperació de Terrenys, S.A. Sole-Shareholder Company	Rambla de Catalunya, 2-4 – Barcelona	80.00	Capital Auditors
Golrib, Soluções de Valorização de Residuos Lda.	Portugal	55.00	
FCC Group CEE (1)	Austria		
A.S.A. Hódmezövásárhely Köztisztasági Kft	Hungary	61.83	Deloitte
ASMJ s.r.o.	Czech Republic	51.00	Deloitte
FCC Abfall Service Betriebs GmbH (2)	Austria	100.00	
FCC Austria Abfall Service AG (3)	Austria	100.00	Deloitte
FCC BEC s.r.o.	Czech Republic	100.00	Deloitte
FCC Bratislava s.r.o.	Slovakia	100.00	Deloitte
FCC Bulgaria E.O.O.D. (4)	Bulgaria	100.00	Deloitte
FCC Ceska Republika s.r.o.	Czech Republic	100.00	Deloitte
FCC Ceské Budêjovice s.r.o.	Czech Republic	75.00	Deloitte
FCC Dacice s.r.o.	Czech Republic	60.00	Deloitte
FCC EKO d.o.o.	Serbia	100.00	Deloitte
FCC EKO Polska sp. z.o.o. (5)	Poland	100.00	Deloitte
FCC EKO-Radomsko sp. z.o.o. (6)	Poland	100.00	Deloitte
FCC Entsorga Entsorgungs GmbH & Co. Nfg KG (7)	Austria	100.00	Deloitte
FCC Environment CEE GmbH (8)	Austria	100.00	Deloitte

1) Change of name. Formerly: Grupo A.S.A
2) Change of name. Formerly: .A.S.A. Abfall Service Betriebs GmbH
3) Change of name. Formerly: A.S.A. Abfall Service AG
4) Change of name. Formerly: .A.S.A. Bulgaria E.O.O.D.
5) Change of name. Formerly: .A.S.A. EKO Polska sp. z.o.o.
6) Change of name. Formerly: EKO Radomsko sp. z.o.o.
7) Change of name. Formerly: Entsorga Entsorgungs GmbH Nfg KG
8) Change of name. Formerly: .A.S.A. International Environmental Services GmbH

Company	Registered office	Effective percentage of ownership	Auditor
FCC Environment Romania S.R.L. [9]	Rumanía	100.00	Deloitte
FCC Freistadt Abfall Service GmbH [10]	Austria	100.00	
FCC Halbenrain Abfall Service GmbH & Co. Nfg KG [11]	Austria	100.00	Deloitte
FCC HP s.r.o.	Czech Republic	100.00	Deloitte
FCC Industrieviertel Abfall Service GmbH & Co. Nfg KG [12]	Austria	100.00	
FCC Inerta Engineering & Consulting GmbH [13]	Austria	100.00	
FCC Kikinda d.o.o. [14]	Serbia	80.00	Deloitte
FCC Liberec s.r.o.	Czech Republic	55.00	Deloitte
FCC Litovel s.r.o.	Czech Republic	49.00	
FCC Lublienec sp. z.o.o. [15]	Poland	61.97	
FCC Magyarorzág Kft	Hungary	100.00	Deloitte
FCC Mostviertel Abfall Service GmbH [16]	Austria	100.00	Deloitte
FCC Neratovice s.r.o.	Czech Republic	100.00	Deloitte
FCC Neunkirchen Abfall Service GmbH [17]	Austria	100.00	Deloitte
FCC Prostejov s.r.o. [18]	Czech Republic	75.00	Deloitte
FCC Regios AS	Czech Republic	99.99	Deloitte
FCC Slovensko s.r.o.	Slovakia	100.00	Deloitte
FCC Tarnobrzeg.sp. z.o.o. [19]	Poland	59.72	Deloitte
FCC Textil2Use GmbH (20)	Austria	100.00	
FCC TRNAVA s.r.o.	Slovakia	50.00	Deloitte
FCC Uhy s.r.o.	Czech Republic	100.00	Deloitte
FCC Únanov s.r.o.	Czech Republic	66.00	Deloitte

9) Change of name. Formerly: .A.S.A. Servicii Ecologice S.R.L.
10) Change of name. Formerly: .A.S.A. Abfall Service Freistadt GmbH
11) Change of name. Formerly: .A.S.A. Abfallservice Halbenrain GmbH & Co. Nfg KG
12) Change of name. Formerly: .A.S.A. Abfallservice Industrieviertel GmbH
13) Change of name. Formerly: Inerta Abfallbehandlungs GmbH
14) Change of name. Formerly: A.S.A. Kikinda d.o.o.
15) Change of name. Formerly: .A.S.A. Lublienec sp. z.o.o.
16) Change of name. Formerly: .A.S.A. Abfall Service Mostviertel GmbH
17) Change of name. Formerly: .A.S.A. Abfall Service Neunkirchen GmbH
18) Change of name. Formerly: .A.S.A. Prostejov s.r.o.
19) Change of name. Formerly: .A.S.A. Tarnobrzeg.sp. z.o.o.
20) Change of name. Formerly: Textil Verwertung GmbH

Company	Registered office	Effective percentage of ownership	Auditor
FCC Vrbak d.o.o. [21]	Serbia	51.00	
FCC Wiener Neustadt Abfall Service Gmbh [22]	Austria	100.00	
FCC Zabcice s.r.o.	Czech Republic	80.00	Deloitte
FCC Zabovresky s.r.o.	Czech Republic	89.00	Deloitte
FCC Zisterdorf Abfall Service GmbH [23]	Austria	100.00	Deloitte
FCC Znojmo s.r.o.	Czech Republic	49.72	Deloitte
FCC Zohor.s.r.o.	Slovakia	85.00	Deloitte
Miejskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	80.00	Deloitte
Obsed A.S.	Czech Republic	100.00	Deloitte
Quail spol. s.r.o.	Czech Republic	100.00	Deloitte
RSUO Dobritch	Bulgaria	62.00	
Siewierskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	60.00	
FCC Environment Group	United Kingdom		
3C Holding Limited	United Kingdom	100.00	Deloitte
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
Azincourt Investment, S.L.	Federico Salmón, 13 – Madrid	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

[21] Change of name. Formerly: .A.S.A. Vrbak d.o.o.

[22] Change of name. Formerly:.A.S.A. Abfallservice Wiener Neustadt GmbH

[23] Change of name. Formerly: .A.S.A. Abfall Service Zisterdorf Gmbh

Company	Registered office	Effective percentage of ownership	Auditor
FCC Buckinghamshire Holdings Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire Limited	United Kingdom	100.00	Deloitte
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 Developments Ltd.	United Kingdom	100.00	Deloitte
FCC Environment Limited	United Kingdom	100.00	Deloitte
FCC Environmental Services UK Limited	United Kingdom	100.00	
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) Ltd.	United Kingdom	100.00	Deloitte
FCC Wrexham PFI (Phase II Holding) Ltd.	United Kingdom	100.00	Deloitte
FCC Wrexham PFI Holdings Limited	United Kingdom	100.00	Deloitte
FCC Wrexham PFI Limited	United Kingdom	100.00	Deloitte
Finstop Limited	United Kingdom	100.00	Deloitte
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

Company	Registered office	Effective percentage of ownership	Auditor
RE3 Holding Limited	United Kingdom	100.00	Deloitte
RE3 Limited	United Kingdom	100.00	Deloitte
Telford & Wrekin Services Limited	United Kingdom	100.00	Deloitte
T Shooter Limited	United Kingdom	100.00	Deloitte
Waste Recovery Limited	United Kingdom	100.00	Deloitte
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	Deloitte
WRG Environmental Limited	United Kingdom	100.00	
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 D 49 – Barcelona	100.00	
Jaume Oro, S.L.	Av. del Bosc, s/n P.I. Hostal Nou – Bellpuig (Lleida)	100.00	
Limpieza e Higiene de Cartagena, S.A.	Luis Pasteur, 6 – Cartagena (Murcia)	90.00	Deloitte
Limpiezas Urbanas de Mallorca, S.A.	Ctra. Santa Margalida-Can Picafort – Santa Margalida (Balearic Islands)	100.00	Deloitte
Manipulación y Recuperación MAREPA, S.A.	Av. San Martín de Valdeiglesias, 22 – Alcorcón (Madrid)	100.00	Deloitte
Recuperació de Pedreres, S.L.	Rambla de Catalunya, 2 – Barcelona	80.00	
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.	Doctor Jiménez Rueda, 10 – Atarfe	60.00	Capital Auditors

Company	Registered office	Effective percentage of ownership	Auditor
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
Societat Municipal Medioambiental d’Igualada, S.L.	Pl. de l’Ajuntament, 1 – Igualada (Barcelona)	65.91	Centium
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	Capital Auditors
Valorización y Tratamiento de Residuos, S.A.	Alameda de Mazarredo, 15-4º A – Bilbao (Biscay)	100.00	
AQUALIA			
Abrantaqua – Serviço de Aguas Residuais Urbanas do Municipio de Abrantes, S.A.	Portugal	60.00	Oliveira, Reis & Asociados
Acque di Caltanissetta, S.p.A.	Italia	98.48	Deloitte
Aguas de Alcázar Empresa Mixta, S.A.	Rondilla Cruz Verde, 1 – Alcázar de San Juan (Ciudad Real)	52.38	Centium Auditores
Aguas de las Galeras, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Aigües de Vallirana, S.A. Sole-Shareholder Company	Conca de Tremp, 14 – Vallirana (Barcelona)	100.00	
Aqua Campiña, S.A.	Av Blas Infante, 6 – Écija (Seville)	90.00	Audinfor
Aquacartaya, S.L.	Av. San Francisco Javier, 15 – Seville	100.00	
Aquaelvas – Aguas de Elvas, S.A.	Portugal	100.00	Deloitte
Aquafundalia – Agua Do Fundão, 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	Deloitte
Aqualia Infraestructuras d.o.o. Beograd-Vracar	Serbia	100.00	
Aqualia Infraestructuras d.o.o. Mostar	Bosnia-Herzegovina	100.00	
Aqualia Infraestructuras Inzenyring, s.r.o.	Czech Republic	51.00	ABC Audit s.r.o.
Aqualia Infraestructuras Montenegro (AIM) d.o.o. Niksic	Montenegro	100.00	
Aqualia Infraestructuras Pristina Llc.	Kosovo	100.00	
Aqualia Intech, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte

Company	Registered office	Effective percentage of ownership	Auditor
Aqualia Mace Contracting, Operation & General Maintenance Llc.	United Arab Emirates (UAE)	51.00	Deloitte
Aqualia México, S.A. de C.V.	Mexico	100.00	Deloitte
Aqualia New Europe B.V.	The Netherlands	51.00	Deloitte
Aquamaior – Aguas de Campo Maior, S.A.	Portugal	100.00	Deloitte
Cartagua, Aguas do Cartaxo, S.A.	Portugal	60.00	Oliveira, Reis & Asociados
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
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.	Federico Salmón, 13– Madrid	100.00	Deloitte
FCC Aqualia América, S.A.U.	Av. Camino de Santiago, 40 – Madrid	100.00	
FCC Aqualia U.S.A. Corp	USA	100 .00	Berkowitz Pollack Brant
Hidrotec Tecnología del Agua, S.L. Sole-Shareholder Company	Av. Kansas City, 9 – Seville	100.00	Deloitte
Infraestructuras y Distribución General de Aguas, S.L.U.	La Presa, 14 – Adeje (Santa Cruz de Tenerife)	100.00	
Inversora Riutort, S.L.	Balmes, 36 – Barcelona	100.00	
Severomoravské Vodovody a Kanalizace Ostrava A.S.	Czech Republic	50.32	Deloitte
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 Sucursales, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Vodotech, spol. s.r.o.	Czech Republic	100.00	CMC Audit s.r.o.
CONSTRUCTION			
ACE Scutmadeira Sistemas de Gestao e Controlo de Tràfego	Portugal	100.00	
Agregados y Materiales de Panamá, S.A.	Panama	100.00	Deloitte
Alpine – Energie Holding AG	Germany	100.00	

Company	Registered office	Effective percentage of ownership	Auditor
Áridos de Melo, S.L.	Finca la Barca y el Ballestar, s/n – Barajas de Melo (Cuenca)	100.00	
Binatec al Maghreb, S.A.	Morocco	100.00	
Colombiana de Infraestructuras, S.A.S.	Colombia	100.00	T&T Grupo Consultorías y Auditorías Empresariales
Concesiones Viales S. de R.L. de C.V.	Mexico	99.97	Deloitte
Concretos Estructurales, S.A.	Nicaragua	100.00	
Conservial Infraestructuras, S.L.	Federico Salmón, 13 – Madrid	100.00	
Consorcio FCC Iquique Ltda.	Chile	100.00	
Construcción Infraestructuras y Filiales de México, S.A. de C.V.	Mexico	52.00	
Construcciones Hospitalarias, S.A.	Panama	100.00	Deloitte
Constructora Meco-Caabsa, S.A. de C.V.	El Salvador	60.00	
Constructora Túnel de Coatzacoalcos, S.A. de C.V.	Mexico	55.60	Deloitte
Contratas y Ventas, S.A.	Av. de Santander, 3 1º – Oviedo (Asturias)	100.00	Deloitte
Corporación M&S de Nicaragua, S.A.	Nicaragua	100.00	
Desarrollo y Construcción Deyco CRCA, S.A.	Costa Rica	100.00	
Edificadora MSG, S.A. (Panamá)	Panama	100.00	
Edificadora MSG, S.A. de C.V. (El Salvador)	El Salvador	100.00	
Edificadora MSG, S.A. de C.V. (Nicaragua)	Nicaragua	100.00	
FCC Colombia, S.A.S.	Colombia	100.00	T&T Grupo Consultorías y Auditorías Empresariales
FCC Construcción, S.A.	Balmes, 36 – Barcelona	100.00	Deloitte
FCC Construcción América, S.A.	Costa Rica	100.00	Deloitte
FCC Construcción Chile, SPA	Chile	100.00	
FCC Construcción Costa Rica, S.A.	Costa Rica	100.00	Deloitte
FCC Construcción de México, S.A. de C.V.	Mexico	100.00	Deloitte
FCC Construcción Perú, S.A.C.	Peru	100.00	
FCC Construçoes do Brasil Ltda.	Brazil	100.00	
FCC Constructii Romania, S.A.	Rumania	100.00	

Company	Registered office	Effective percentage of ownership	Auditor
FCC Construction Hungary Kft	Hungary	100.00	
FCC Construction Inc.	USA	100.00	Berkowitz Pollack Brant
FCC Construction International B.V.	The Netherlands	100.00	
FCC Construction Northern Ireland Limited	United Kingdom	100.00	Deloitte
FCC Edificadora CR, S.A.	Costa Rica	100.00	
FCC Electromechanical Llc.	Saudi Arabia	100.00	Ernst & Young
FCC Elliott Construction Limited	Irlanda	100.00	Deloitte
FCC Industrial de Panamá, S.A.	Panamá	100.00	Deloitte
FCC Industrial e Infraestructuras Energéticas, S.A. Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Industrial Perú, S.A.	Peru	100.00	
FCC Industrial UK Limited	United Kingdom	100.00	
FCC Servicios Industriales y Energéticos México, S.A. de C.V.	Mexico	100.00	Deloitte
FCC Soluciones de Seguridad y Control, S.L.	Federico Salmón, 13 – Madrid	100.00	
Fomento de Construcciones y Contratas Canadá Ltd.	Canada	100.00	
Fomento de Construcciones y Contratas Construction Ireland Limited	Ireland	100.00	Deloitte
Guinea Ecuatorial Fomento de Construcciones y Contratas Construcción, S.A.	Guinea Ecuatorial	65.00	
Guzmán Energy O&M, S.L.	Federico Salmón, 13 – Madrid	70.00	
Impulsora de Proyectos Proserme, S.A. de C.V.	Mexico	100.00	
Mantenimiento de Infraestructuras, S.A.	Federico Salmón, 13 2a planta – Madrid	100.00	Deloitte
Meco Santa Fe Limited	Belice	100.00	
Megaplás, S.A. Sole-Shareholder Company	Hilanderas, 4-14 – La Poveda – Arganda del Rey (Madrid)	100.00	Deloitte
Megaplás Italia, S.p.A.	Italy	100.00	Collegio Sindicale
Participaciones Teide, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Prefabricados Delta, S.A. Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	Deloitte
Proyectos y Servicios, S.A. Sole-Shareholder Company	Av. Camino de Santiago, 40 – Madrid	100.00	
Ramalho Rosa Cobetar Sociedade de Construçoes, S.A.	Portugal	100.00	Deloitte
Servicios Dos Reis, S.A. de C.V.	Mexico	100.00	Deloitte
Tema Concesionaria, S.A.	Porto Pi, 8– Palma de Mallorca (Balearic Islands)	100.00	

Company	Registered office	Effective percentage of ownership	Auditor
CEMENT			
Canteras de Alaiz, S.A.	Dormilatería, 72 – Pamplona (Navarre)	69.35	Deloitte
Carbocem, S.A.	Paseo de la Castellana, 45 – Madrid	69.03	
Cementos Alfa, S.A.	Josefina de la Maza, 4 P.E. Piasca – Santander (Cantabria)	87.21	Deloitte
Cementos Portland Valderrivas, S.A.	Dormilatería, 72 – Pamplona (Navarre)	99.04	Deloitte
Dragon Alfa Cement Limited	United Kingdom	87.21	Deloitte
Dragon Portland Limited	United Kingdom	99.04	Deloitte
Hormigones de la Jacetania, S.A.	Llano de la Victoria – Jaca (Huesca)	61.90	KPMG
Prebesec Mallorca, S.A.	Santa Margarida i els Monjos (Barcelona)	67.80	
Select Beton, S.A.	Tunis	86.99	Deloitte
Société des Ciments d’Enfidha	Tunis	87.01	Deloitte - Guellaty
Uniland Acquisition Corporation	USA	99.04	
Uniland International B.V.	The Netherlands	99.04	
Uniland Trading B.V.	The Netherlands	99.04	
OTHER ACTIVITIES			
Alpetrol, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Asesoría Financiera y de Gestión, S.A.	Federico Salmón, 13 – Madrid	100.00	
Autovía Conquense, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
Bvefdomintaena Beteiligungsverwaltung GmbH	Austria	100.00	
Cemusa Portugal Companhia de Mobiliario Urbano e Publicidade, S.A.	Portugal	100.00	PricewaterhouseCoopers
Compañía General de Servicios Empresariales, S.A. Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	
Concesionaria Atención Primaria, S.A.	Crta. De Valldemossa, 79 – Palma de Mallorca (Balearic Islands)	82.50	Deloitte
Concesionaria Túnel de Coatzacoalcos, S.A. de C.V.	Mexico	85.59	Deloitte
Corporación Española de Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	
Costa Verde Habitat, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Europea de Gestión, S.A. Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	
F-C y C, S.L. Sole-Shareholder Company	Federico Salmón, 13 – Madrid	100.00	Deloitte

Company	Registered office	Effective percentage of ownership	Auditor
FCC Concesiones de Infraestructuras, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
FCC Energía Aragón I, S.L. Sole-Shareholder Company	Manuel Lasala, 36 – Zaragoza	100.00	
FCC Energía Aragón II, S.L. Sole-Shareholder Company	Manuel Lasala, 36 – Zaragoza	100.00	
FCC Versia, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Fedemes, S.L.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Geneus Canarias, S.L. Sole-Shareholder Company	Electricista, 2. U.I. de Salinetas – Telde (Canary Islands)	100.00	
Geral I.S.V. Brasil Ltda.	Brazil	100.00	
Per Gestora Inmobiliaria, S.L.	Federico Salmón, 13 – Madrid	100.00	
PPP Infraestructure Investments B.V.	The Netherlands	100.00	
Vela Boravica d.o.o.	Croatia	100.00	
Vialia, Sociedad Gestora de Concesiones de Infraestructuras, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Zona Verde – Promoçao e Marketing Limitada	Portugal	100.00	PricewaterhouseCoopers

Appendix II Companies controlled jointly with non-Group third parties (accounted for using the equity method)

Company	Registered office	Carrying amount of the investment 2017	Carrying amount of the investment 2016	Effective percentage of ownership	Auditor
ENVIRONMENTAL SERVICES					
Atlas Gestión Medioambiental, S.A.	Viriato, 47 – Barcelona	12,149	12,557	50.00	Deloitte
Beacon Waste Limited	United Kingdom	1,329	1,415	50.00	Deloitte
Ecoparc del Besós, S.A.	Rambla Cataluña, 91-93 – Barcelona	6,336	6,033	49.00	Castellà Auditors Consultors S.L.P.
Ecoserveis Urbans de Figueres, S.L.	Av. de les Alegries, s/n – Lloret de Mar (Girona)	182	179	50.00	
Electrorecycling, S.A.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	1,356	1,386	33.33	
Empresa Mixta de Limpieza de la Villa de Torrox, S.A.	Plaza de la Constitución, 1 – Torrox (Malaga)	733	690	50.00	Audinfor
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A.	Av. Zorreras, 8 – Rincón de la Victoria (Máaaga)	308	271	50.00	Audinfor
Fisersa Ecoserveis, S.A.	Alemanya, 5 – Figueres (Girona)	173	218	36.36	Auditoria i Control Auditors S.L.P.
Gestión y Valorización Integral del Centro, S.L.	De la Tecnología, 2. P.I. Los Olivos – Getafe (Madrid)	308	222	50.00	Deloitte
Hades Soluciones Medioambientales, S.L.	Mayor, 3 – Cartagena (Murcia)	(19)	(19)	50.00	
Ingenieria Urbana, S.A.	Calle I esquina calle 3, P.I. Pla de la Vallonga – Alicante	4,250	4,287	35.00	Deloitte
Mediaciones Comerciales Ambientales, S.L.	Av. Roma, 25 – Barcelona	246	194	50.00	
Mercia Waste Management Ltd.	United Kingdom	17,553	14,855	50.00	Deloitte
Palacio de Exposiciones y Congresos de Granada, S.A.	Paseo del Violón, s/n – Granada	(1,540)	(1,062)	50.00	Hispanobelga Econo-mistas Auditores, S.L.P.
Pilagest, S.L.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	233	281	50.00	
Reciclado de Componentes Electrónicos, S.A.	E Pol. Actividades Medioambientales – Aznalcóllar (Seville)	2,266	2,332	37.50	KPMG
Servicios de Limpieza Integral de Málaga III, S.A.	Camino Térmica, 83 – Malaga	1,558	1,563	26.01	Pricewaterhouse Coopers
Servicios Urbanos de Málaga, S.A.	Ulises, 18 – Madrid	349	363	51.00	

Company	Registered office	Carrying amount of the investment 2017	Carrying amount of the investment 2016	Effective percentage of ownership	Auditor
Severn Waste Services Limited	United Kingdom	174	178	50.00	Deloitte
Tratamiento Industrial de Residuos Sólidos, S.A.	Rambla Cataluña, 91 – Barcelona	762	585	33.33	Castellà Auditors Consultors, S.L.P.
Zabalgarbi, S.A.	Camino de Artigas, 10 – Bilbao (Biscay)	14,777	13,390	30.00	KPMG
AQUALIA					
Aguas de Langreo, S.L.	Alonso del Riesgo, 3 – Sama de Langreo (Asturias)	946	874	49.00	Capital Auditors and Consultors, S.L.
Aguas de Narixa, S.A.	Málaga, 11 – Nerja (Malaga)	268	274	50.00	Audinfor
Aigües de Girona, Salt i Sarrià del Ter, S.A.	Ciutadans, 11 – Girona	167	255	26.89	Auditoria i Control Auditors, S.L.P.
Compañía de Servicios Medioambientales do Atlántico, S.A.	Ctra. de Cedeira Km. 1 – Narón (La Coruña)	312	343	49.00	Audinfor
Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.	Mexico	(2,720)	(2,995)	24.50	Deloitte
Empresa Municipal de Aguas de Benalmádena EMABESA, S.A.	Exp. Ap. Tivoli, s/n – Arroyo de la Miel (Malaga)	1,648	1,583	50.00	Audinfor
Girona, S.A.	Travesía del Carril, 2 – Girona	1,771	1,831	33.61	Cataudit Auditors Associats, S.L.
HA Proyectos Especiales Hidráulicos S. de R.L. de C.V.	Mexico	560	1,111	49.50	Grant Thornton SC
Orasqualia Construction, S.A.E.	Egypt	110	135	50.00	KPMG
Orasqualia for the Development of the Waste Water Treatment Plant S.A.E.	Egypt	8,669	8,942	27.95	Deloitte
Orasqualia Operation and Maintenance S.A.E.	Egypt	467	547	50.00	Deloitte
CONSTRUCTION					
Administración y Servicios Grupo Zapotillo, S.A. de C.V.	Mexico	78	81	50.00	
Construcciones Olabarri, S.L.	Ripa, 1 – Bilbao (Biscay)	5,440	5,146	49.00	Charman Auditores
Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.	Mexico	—	—	24.50	Deloitte
Constructora Durango Mazatlán, S.A. de C.V.	Mexico	1,458	940	51.00	
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	Mexico	(30,973)	(33,387)	40.00	Deloitte

Company	Registered office	Carrying amount of the investment 2017	Carrying amount of the investment 2016	Effective percentage of ownership	Auditor
Constructores del Zapotillo, S.A. de C.V.	Mexico	1,315	1,417	50.00	Salles Sainz Grant Thornton
Dragados FCC Canada Inc.	Canada	(862)	(528)	50.00	
Elaboración de Cajones Pretensados, S.L.	Av. General Perón, 36 – Madrid	2	2	50.00	
Integral Management Future Renewables, S.L.	A Condomiña, s/n – Ortoño (Corunna)	2,836	2,405	50.00	Deloitte
Marina de Laredo, S.A.	Pasaje de Puntida, 1 – Santander (Cantabria)	__	(1)	50.00	
North Tunnels Canada Inc.	Canada	(8,498)	(9,013)	50.00	
OHL Co Canada & FCC Canada Ltd. Partnership	Canada	(67,578)	(70,531)	50.00	
Peri 3 Gestión, S.L.	General Álava, 26 – Vitoria-Gasteiz (Álava)	__	2	50.00	
Servicios Empresariales Durango-Mazatlán, S.A. de C.V.	Mexico	123	134	51.00	
CEMENT					
Carbocem, S.A.	Paseo de la Castellana, 45 – Madrid	__	73	69.03	
Pedrera de l'Ordal, S.L.	Ctra. N 340 km. 1229,5 La Creu del L'Ordal – Subirats (Barcelona)	2,210	2,470	49.52	Deloitte
OTHER ACTIVITIES					
Ibisan Sociedad Concesionaria, S.A.	Porto Pi, 8 – Palma de Mallorca (Balearic Islands)	6,654	6,165	50.00	Deloitte
MDM-Teide, S.A.	Panama	196	351	50.00	
Proyecto Front Marítim, S.L.	Paseo de Gracia, 120 – Barcelona	(13,503)	(8,150)	50.00	
Sociedad Concesionaria Tranvía de Murcia, S.A.	Olof Palmer, s/n – Murcia	19,709	18,477	50.00	Deloitte
Subgrupo FM Green Power Investments		7,228	7,228		
Enestar Villena, S.A.	Maestro Chanzá, 3 – Villena (Alicante)	__	__	28.32	Ernst & Young
Ethern Electric Power, S.A.	Paseo de la Castellana, 91 planta 11 – Madrid	__	__	49.00	Ernst & Young
Estructuras Energéticas Generales, S.A. Sole-Shareholder Company	PasPaseo de la Castellana, 91 planta 11 – Madrid	__	__	49.00	
Evacuación Villanueva del Rey, S.L.	Av. de la Buhaira, 2 – Seville	__	__	6.28	
FM Green Power Investments, S.L.	Paseo de la Castellana, 91 planta 11 – Madrid	__	__	49.00	Ernst & Young

Company	Registered office	Carrying amount of the investment 2017	2016	Effective percentage of ownership	Auditor
Guzmán Energía, S.A.	c/Portada, 11 – Palma del Río (Córdoba)	—	—	34.30	Ernst & Young
Helios Patrimonial 1, S.L. Sole-Shareholder Company	Paseo de la Castellana, 91 planta 11 – Madrid	—	—	49.00	Ernst & Young
Helios Patrimonial 2, S.L. Sole-Shareholder Company	Paseo de la Castellana, 91 planta 11 – Madrid	—	—	49.00	Ernst & Young
Olivento, S.L. Sole-Shareholder Company	Paseo de la Castellana, 91 planta 11 – Madrid	—	—	49.00	Ernst & Young
Teide-MDM Quadrat, S.A.	Panama	289	327	50.00	
TOTAL VALUE OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD (JOINT VENTURES)		**1,805**	**(3,574)**		

Appendix III Associates (accounted for using the equity method)

Company	Registered office	Carrying amount of the investment 2017	Carrying amount of the investment 2016	Effective percentage of ownership	Auditor
ENVIRONMENTAL SERVICES					
Aprochim Getesarp Rymoil, S.A.	P.I. Logrenzana La Granda – Carreño (Asturias)	876	841	23.49	
Aragonesa de Gestión de Residuos, S.A.	Paseo María Agustín, 36 – Zaragoza	1	10	12.00	CGM Auditores, S.L.y Vilalba, Envid y Cia. Auditores, S.L.P.
Aragonesa de Tratamientos Medioambientales XXI, S.A.	Ctra. Castellón Km. 58 – Zaragoza	615	610	33.00	
Betearte, S.A.U.	Cr. BI – 3342 pk 38 Alto de Areitio – Mallabia (Biscay)	55	191	33.33	PKF Attest
Gestión Integral de Residuos Sólidos, S.A.	Profesor Beltrán Báquena, 4 – Valencia	5,134	5,182	49.00	Fides Auditores, S.L.
FCC Groupe CEE (1)		6,410	5,859		
A.R.K. Technicke Sluzby s.r.o.	Slovakia	–	–	50.00	Deloitte
A.K.S.D. Városgazdálkodási Korlátolt FT	Hungary	–	–	25.50	Interauditor
ASTV s.r.o.	Czech Republic	–	–	49.00	
FCC + NHSZ Környezetvédelmi HKft	Hungary	–	–	50.00	Interauditor
FCC Hlohovec s.r.o.	Slovakia	–	–	50.00	
Huber Abfallservice Verwaltungs GmbH	Austria	–	–	49.00	
Huber Entsorgungs GmbH Nfg KG	Austria	–	–	49.00	
Killer GmbH	Austria	–	–	50.00	
Killer GmbH & Co KG	Austria	–	–	50.00	Rittmann
Recopap s.r.o.	Slovakia	–	–	50.00	Deloitte
Tirme Groupe		5,224	4,456		
Balear de Trituracions, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic Islands)	–	10,40		
MAC Insular, S.L.	Camí Son Reus. Ctra. De Soller Km. 8,2 – Bunyola (Balearic Islands)	–	–	14.00	Deloitte
MAC Insular Segunda, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic Islands)	–	–	15.00	

Company	Registered office	Carrying amount of the investment 2017	Carrying amount of the investment 2016	Effective percentage of ownership	Auditor
Tirme, S.A.	Ctra. Soller Km. 8,2 Camino de Son Reus – Palma de Mallorca (Balearic Islands)	–	–	20.00	Deloitte
Sogecar, S.A.	Polígono Torrelarragoiti – Zamudio (Biscay)	264	280	30.00	
AQUALIA					
Aguas de Archidona, S.L.	Pz. Ochavada, 1 – Archidona (Málaga)	71	75	48.00	Centium Auditores
Aguas de Denia, S.A.	C/ Abú Zeyan, 11– Denia (Alicante)	400	400	33.00	Audinfor
Aguas de Priego, S.L.	Pz. de la Constitución, 3 – Priego de Córdoba (Córdoba)	(17)	(104)	49.00	Audinfor
Aguas de Ubrique, S.A.	Av. España, 9 – Ubrique (Cádiz)	(59)	–	49.00	
Aguas del Puerto Empresa Municipal, S.A.	Aurora, 1 – El Puerto de Santa María (Cádiz)	3,927	3,860	48.98	Deloitte
Aigües de Blanes, S.A.	Canigó, 5 – Blanes (Girona)	64	50	16.47	CD Auditors
Aigües del Segarra Garrigues, S.A.	C/ Mas d'en Colom, 14 – Tárrega (Lleida)	–	–	1.00	Deloitte
Aigües del Tomoví, S.A.	Pz. Vella, 1 – El Vendrell (Tarragona)	531	508	49.00	GM Auditors
Aquos El Realito, S.A. de C.V.	Mexico	5,778	5,884	49.00	Deloitte México
Concesionaria de Desalación de Ibiza, S.A.	Rotonda de Santa Eulalia, s/n – Ibiza (Balearic Islands)	1,260	1,226	50.00	BDO Auditores
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	Mexico	(5,005)	(5,395)	24.50	
EMANAGUA Empresa Mixta Municipal de Aguas de Nijar, S.A.	Pz. de la Goleta, 1 – Nijar (Almería)	464	277	49.00	Deloitte
Empresa Mixta de Aguas de Ubrique, S.A.	Juzgado s/n (Ed. Serv. Múltiples PL4) – Ubrique (Cádiz)	81	76	49.00	Deloitte
Empresa Municipal de Aguas de Algeciras, S.A.	Av. Virgen del Carmen – Algeciras (Cádiz)	208	201	49.00	Next Auditores y Consultores, S.L.
Empresa Mixta de Aguas de Jodar, S.A.	Pz. España, 1 – Jodar (Jaén)	10	16	49.00	Centium Auditores
Empresa Municipal de Aguas de Linares, S.A.	Cid Campeador, 7 – Linares (Jaén)	223	186	49.00	Centium Auditores
Empresa Municipal de Aguas de Toxiria, S.A.	C/ Cristobal Colón, 104 – Torredonjimeno (Jaén)	80	78	49.00	Centium Auditores
Nueva Sociedad de Aguas de Ibiza, S.A.	Av. Bartolomé Roselló, 18 – Ibiza (Balearic Islands)	101	82	40.00	
Operadora El Realito, S.A. de C.V.	Mexico	164	47	15.00	Ernst & Young
Prestadora de Servicios Acueducto El Realito, S.A.de C.V.	Mexico	1	1	24.50	

Company	Registered office	Carrying amount of the investment 2017	Carrying amount of the investment 2016	Effective percentage of ownership	Auditor
Proveïments d'Aigua, S.A.	Astúries, 9 – Girona	504	433	15.12	Antoni Riera Economistes Auditors
Sera Q A Duitama E.S.P., S.A.	Colombia	15	21	30.60	
Shariket Miyeh Ras Djinet, S.P.A.	Algeria	11,393	12,178	25.50	Mustapha Heddad
Shariket Tahlya Miyah Mostaganem, S.P.A.	Algeria	31,248	32,464	25.50	Mustapha Heddad
Suministro de Aguas de Querétaro, S.A. de C.V.	Mexico	8,483	9,417	25.00	Deloitte Mexico
CONSTRUCTION					
Agrenic Complejo Industrial Nindiri, S.A.	Nicaragua	2,605	3,153	50.00	Deloitte
Aigües del Segarra Garrigues, S.A.	C/ Mas d'en Colom, 14 – Tárrega (Lleida)	6,075	6,388	24.68	Deloitte
Baross Ter Ingatlanprojekt-Fejleszto Kft	Hungary	–	409	20.00	
Cafig Constructores, S.A. de C.V.	Mexico	3,312	226	45.00	Deloitte
Cleon, S.A.	Av. General Perón, 36 – Madrid	24,877	24,937	25.00	KPMG
Construcciones y Pavimentos, S.A.	Panama	4	5	50.00	
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	Mexico	–	(1)	24.50	Deloitte
Constructora San José – Caldera CSJC, S.A.	Costa Rica	(1,647)	1,636	50.00	Deloitte
Constructora San José – San Ramón SJSR, S.A.	Costa Rica	51	872	50.00	
Constructora Terminal Valle de México, S.A. de C.V.	Mexico	119	–	14.28	Deloitte
Desarrollo Cuajimalpa, S.A. de C.V.	Mexico	6	6	25.00	
Design Build and Operation, S.L.	Av. Eduardo Dato, 69 – Seville	8	8	40.00	
EFI Túneles Necaxa, S.A. de C.V.	Mexico	368	552	45.00	
FCC Américas, S.A. de C.V.	Mexico	24	1	50.00	Deloitte
M50 (D&C) Limited	Ireland	(3,273)	(3,273)	42.50	Deloitte
N6 (Construction) Limited	Ireland	(38,412)	(38,412)	42.50	Deloitte
Prestadora de Servicios Acueducto El Realito, S.A. de C.V.	Mexico	1	1	24.50	

Company	Registered office	Carrying amount of the investment 2017	Carrying amount of the investment 2016	Effective percentage of ownership	Auditor
Promvias XXI, S.A.	Vía Augusta, 255 Local 4 – Barcelona	1	1	25.00	
CEMENT					
Aplicaciones Minerales, S.A.	Camino Fuente Herrero – Cueva Cardiel (Burgos)	503	400	34.23	
Canteras y Hormigones VRE, S.A.	Arieta, 13 – Estella (Navarre)	(696)	(690)	49.52	
Giant Groupe		33,771	48,866		
Coastal Cement Corporation	USA	–	–	44.57	
Dragon Energy Llc.	USA	–	–	44.57	
Dragon Products Company Inc.	USA	–	–	44.57	
Giant Cement Company	USA	–	–	44.57	Deloitte
Giant Cement Holding Inc.	USA	–	–	44.57	
Giant Cement NC Inc.	USA	–	–	44.57	
Giant Cement Virginia Inc.	USA	–	–	44.57	
Giant Resource Recovery Inc.	USA	–	–	44.57	
Giant Resource Recovery – Arvonia Inc.	USA	–	–	44.57	
Giant Resource Recovery – Attalla Inc.	USA	–	–	44.57	
Giant Resource Recovery – Harleyville, Inc.	USA	–	–	44.57	
Giant Resource Recovery – Sumter Inc.	USA	–	–	44.57	
Keystone Cement Company	USA	–	–	44.57	
Sechem Inc.	USA	–	–	44.57	
Hormigones Castro, S.A.	Ctra. Irún-La Coruña Km. 153 – Islares (Cantabria)	326	328	34.88	
Hormigones del Baztán, S.L.	Estella, 6 – Pamplona (Navarre)	494	519	49.52	
Hormigones Delfín, S.A.	Venta Blanca – Peralta (Navarre)	391	388	49.52	
Hormigones en Masa de Valtierra, S.A.	Ctra. Cadreita Km. 0 – Valtierra (Navarre)	1,492	1,601	49.52	
Hormigones Galizano, S.A.	Ctra. Irún – La Coruña Km. 184 – Gama (Cantabria)	153	156	43.60	
Hormigones Reinares, S.A.	Praje Murillo de Calahorra, s/n – Calahorra (La Rioja)	579	524	49.52	

Company	Registered office	Carrying amount of the investment 2017	Carrying amount of the investment 2016	Effective percentage of ownership	Auditor
Hormigones y Áridos del Pirineo Aragonés, S.A.	Ctra. Biescas – Sabiñánigo (Huesca)	6,064	5,975	49.52	KPMG
Lázaro Echevarría, S.A.	Isidoro Melero – Alsasua (Navarre)	8,637	8,806	27.74	KPMG
Navarra de Transportes, S.A.	Ctra. Pamplona-Vitoria Km. 52 – Olazagutia (Navarre)	594	624	33.01	KPMG
Novhorvi, S.A.	Portal de Gamarra, 25 – Vitoria –Gasteiz (Alava)	104	117	24.76	
Portcemen, S.A.	Muelle Contradique Sur-Puerto Barcelona – Barcelona	1,280	1,316	33.01	
Terminal Cimentier de Gabes-Gie	Tunis	42	51	29.00	Ernst & Young
Vescem-LID, S.L.	Valencia, 245 – Barcelona	36	41	24.76	
OTHER ACTIVITIES					
Concesionaria Atención Primaria, S.A.	Crta. De Valldemossa, 79 – Palma de Mallorca (Balearic Islands)	–	2,438	82.50	
Concessió Estacions Aeroport L9, S.A.	Av. Carrilet, 3 Edificio D – L'Hospitalet de Llobregat (Barcelona)	690	(9,908)	49.00	Deloitte
Cedinsa Concesionaria Group	–	12,853	34,00		
Cedinsa Concesionaria, S.A.	Tarragona, 141 – Barcelona	–	–	34.00	Deloitte
Cedinsa Conservació, S.L. Sole-Shareholder Company	Tarragona, 141 – Barcelona	–	–	34.00	Deloitte
Cedinsa d'Aro Concessionària de la Generalitat de Catalunya, S.A. Sole-Shareholder Company	Tarragona, 141 – Barcelona	–	–	34.00	Deloitte
Cedinsa Eix del Llobregat Concessionària de la Generalitat de Catalunya, S.A. Sole-Shareholder Company, S.A.	Tarragona, 141 – Barcelona	–	–	34.00	Deloitte
Cedinsa Eix Transversal Concessionària de la Generalitat de Catalunya, S.A. Sole-Shareholder Company, S.A.	Tarragona, 141 – Barcelona	–	–	34.00	Deloitte
Cedinsa Ter Concessionària de la Generalitat de Catalunya, S.A. Sole-Shareholder Company, S.A.	Tarragona, 141 – Barcelona	–	–	34.00	Deloitte
Realia Business Group	Paseo de la Castellana, 216 – Madrid	209,407	206,032		
As Cancelas Siglo XXI, S.L.	Paseo de la Castellana, 216 – Madrid	–	–	18.48	Ernst & Young
Boane 2003, S.A. Sole-Shareholder Company	Paseo de la Castellana, 41 – Madrid	–	–	18.03	Ernst & Young
Desarrollo Urbanístico Sevilla Este, S.L.	Pz. De las Naciones Edif. Alfar – Mairena de Aljarafe (Seville)	–	–	11.28	Ernst & Young
Guillena Golf, S.L. Sole-Shareholder Company	Paseo de la Castellana, 216 – Madrid	–	–	36.96	Ernst & Young
Hermanos Revilla, S.A.	Paseo de la Castellana, 41 – Madrid	–	–	18.03	Ernst & Young

Company	Registered office	Carrying amount of the investment 2017	Carrying amount of the investment 2016	Effective percentage of ownership	Auditor
Inversiones Inmobilairias Rústicas y Urbanas 2000, S.L.	Paseo de la Castellana, 93 – Madrid	–	–	12.33	Ernst & Young
Planigesa, S.A.	Paseo de la Castellana, 216 – Madrid	–	–	28.09	Ernst & Young
Realia Business Portugal – Unipessoal Lda.	Portugal	–	–	36.96	Ernst & Young
Realia Business, S.A.	Paseo de la Castellana, 216 – Madrid	–	–	36.96	Ernst & Young
Realia Contesti, S.R.L.	Rumanía	–	–	36.96	Ernst & Young
Realia Patrimonio S.L.U.	Paseo de la Castellana, 216 – Madrid	–	–	36.96	Ernst & Young
Realia Polska Investycje Spolka z.o.o.	Poland	–	–	36.96	Ernst & Young
Retingle, S.L.	Paseo de la Castellana, 216 – Madrid	–	–	18.52	Ernst & Young
Ronda Norte Denia, S.L.	Av. Aragón, 30 – Valencia	–	–	12.06	Ernst & Young
Servicios Índice, S.A.	Paseo de la Castellana, 216 – Madrid	–	–	18.66	Ernst & Young
Valaise, S.L. Sole-Shareholder Company	Paseo de la Castellana, 216 – Madrid	–	–	36.96	Ernst & Young
Las Palmeras de Garrucha, S.L. in liquidation	Mayor, 19 – Garrucha (Almería)	979	994	20.00	
Metro de Lima Línea 2, S.A.	Peru	21,298	23,124	18.25	Ernst & Young
Sigenera, S.L.	Av. De Linares Rivas, 1 – Corunna	375	377	50.00	
TOTAL VALUE OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES)		**359,142**	**380,851**		

Appendix IV Changes in the scope of consolidation

INCLUSIONS	Registered office
FULLY CONSOLIDATED COMPANIES	
FCC EQUAL CEE MURCIA, S.L.	Luis Pasteur, 8 – Cartagena (Murcia)
FCC SOLUCIONES DE SEGURIDAD Y CONTROL, S.L.	Federico Salmón, 13 – Madrid
ASSOCIATES	
CONSTRUCTORA TERMINAL VALLE DE MÉXICO, S.A. DE C.V.	Mexico
FCC AMÉRICAS COLOMBIA, S.A.	Colombia
FCC AMÉRICAS PANAMÁ, S.A.	Panama
SERVICIOS CTVM, S.A. DE C.V.	Mexico
SERVICIOS TERMINAL VALLE DE MÉXICO, S.A. DE C.V.	Mexico

EXCLUSIONS	Registered office
FULLY CONSOLIDATED COMPANIES	
.A.S.A. ABFALL SERVICE HALBENRAIN GMBH (1)	Austria
.A.S.A. ABFALL SERVICE INDUSTRIEVIERTEL BETRIEBS GMBH (1)	Austria
.A.S.A. FINANZDIENSTLEISTUNGEN GMBH (1)	Austria
AQUA MANAGEMENT SOLUTIONS, B.V. (2)	The Netherlands
BBR PRETENSADOS Y TECNICAS ESPECIALES, S.L. (3)	Av. Camino de Santiago, 40 – Madrid
COLABORACIÓN, GESTIÓN Y ASISTENCIA, S.A. (2)	Federico Salmón, 13 – Madrid
DEPURTEBO, S.A. (2)	San Pedro, 57 – Zuera (Zaragoza)
ECOSERVICE LOVETECH (2)	Bulgaria
EÓLICA CATVENT, S.L. (4)	Balmes, 36 – Barcelona
F.S. COLABORACIÓN Y ASITENCIA. S.A. (2)	Av. Camino de Santiago, 40 – Madrid
FCC ELLIOTT UK LIMITED (4)	United Kingdom
FCC POWER GENERATION, S.L. (5)	Federico Salmón, 13 – Madrid
GAVISA PORTUGAL MONTAGENS ELÉCTRICAS LDA. (4)	Portugal

EXCLUSIONS	Registered office
IBERVIA CONSTRUCCIONES Y CONTRATAS, S.L. (3)	Av. Camino de Santiago, 40 – Madrid
MOTRE, S.L. (3)	Balmes, 36 – Barcelona
MOVITERRA, S.A. (3)	Balmes, 36 – Barcelona
NATURALEZA, URBANISMO Y MEDIO AMBIENTE, S.A. (4)	Av. Camino de Santiago, 40 – Madrid
PEDRERA LES GAVARRES, S.L. (3)	Balmes, 36 – Barcelona
SERVIÁ CANTÓ, S.A. (3)	Balmes, 36 – Barcelona
Companies accounted for using the equity method	
JOINT VENTURES	
PERI 3 GESTIÓN, S.L. (4)	General Álava, 26 – Vitoria Gasteiz (Álava)
SSOCIATES	
BAROSS TER INGATLANPROJEKT-FEJLESZTO KFT (4)	Hungary
GRUPO FOMENT DE CONSTRUCCIONS I CONSULTING (4)	Andorra
TECHNICKÉ A STAVEBNI SLUZBY AS (2)	Czech Republic

(1) Exclusion due to merger with FCC Abfall Service Betriebs GmbH
(2) Exclusion due to liquidation
(3) Exclusion due to merger with FCC Co.
(4) Exclusion due to dissolution
(5) Exclusion due to merger with FCC Industrial

Changes in the scope of consolidation

COMPANY	Changes in the scope of consolidation
CONCESIONARIA ATENCION PRIMARIA, S.A.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.

Appendix V Unincorporated temporary joint ventures (ute), economic interest groupings (aie) and other contracts managed jointly with non-Group third parties

	Percentage of ownership at 31 December 2017
ENVIRONMENTAL SERVICES	
PUERTO UTE	50.00
UTE ABSA – PERICA	60.00
UTE ABSA – PERICA I	60.00
UTE ABSA – PERICA II	60.00
UTE AEROPUERTO VI	50.00
UTE AGARBI	60.00
UTE AGARBI BI	60.00
UTE AGARBI INTERIORES	60.00
UTE AIZMENDI	60.00
UTE AKEI	60.00
UTE ALCANTARILLADO MELILLA	50.00
UTE ALELLA	50.00
UTE ARAZURI 2016	50.00
UTE ARCOS	51.00
UTE ARUCAS II	70.00
UTE BAILIN ETAPA 2	60.00
UTE BERANGO	60.00
UTE BILBOKO LORATEGIAK	60.00
UTE BILBOKO SANEAMENDU	50.00
UTE BILBOKO SANEAMENDU BI	50.00
UTE BILKETA 2017	60.00
UTE BIOCOMPOST DE ÁLAVA	50.00
UTE BIZKAIAKO HONDARTZAK	50.00

	Percentage of ownership at 31 December 2017
UTE BOADILLA	50.00
UTE CABRERA DE MAR	50.00
UTE CANA PUTXA	20.00
UTE CARMA	50.00
UTE CASTELLANA – PO	50.00
UTE CHIPIONA	50.00
UTE CGR GUIPUZCOA	35.14
UTE CLAUSURA SAN MARCOS	60.00
UTE CONTENEDORES LAS PALMAS	30.00
UTE CONTENEDORES MADRID	38.25
UTE CONTENEDORES MADRID 2	36.50
UTE CTR. DE L’ALT EMPORDÀ	45.00
UTE CTR – VALLÈS	20.00
UTE CUA	50.00
UTE DONOSTIAKO GARBIKETA	70.00
UTE DOS AGUAS	35.00
UTE ECOPARQUE CÁCERES	50.00
UTE ECOURENSE	50.00
UTE EFIC. ENERG. PUERTO DEL ROSARIO	60.00
UTE ENERGÍA SOLAR ONDA	25.00
UTE ENLLUMENAT SABADELL	50.00
UTE ENVASES LIGEROS MÁLAGA	50.00
UTE EPELEKO PLANTA	35.00
UTE EPREMASA PROVINCIAL	55.00

	Percentage of ownership at 31 December 2017
UTE ERETZA	70.00
UTE ES VEDRA	25.00
UTE ETXEBARRI	60.00
UTE F.L.F. LA PLANA	47.00
UTE F.S.S.	99.00
UTE FCC – ERS LOS PALACIOS	50.00
UTE FCC – HIJOS DE MORENO, S.A.	50.00
UTE FCC – PERICA	60.00
UTE FCC – SUFI MAJADAHONDA	50.00
UTE GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40.00
UTE GESTIÓN INSTALACIÓN III	34.99
UTE GIREF	20.00
UTE GOIERRI GARBIA	60.00
UTE ICAT LOTE 7	50.00
UTE ICAT LOTE 11	50.00
UTE ICAT LOTE 15	50.00
UTE ICAT LOTE 20 Y 22	70.00
UTE INTERIORES BILBAO	80.00
UTE INTERIORES BILBAO II	60.00
UTE JARD. UNIVERSITAT JAUME I	50.00
UTE JARDINES MOGÁN	51.00
UTE JARDINES PTO DEL ROSARIO	78.00
UTE JUNDIZ II	51.00
UTE LA LLOMA DEL BIRLET	80.00
UTE LAGUNAS DE ARGANDA	50.00
UTE LAS CALDAS GOLF	50.00
UTE LEGIO VII	50.00
UTE LEKEITIOKO MANTENIMENDUA	60.00

	Percentage of ownership at 31 December 2017
UTE LIMPIEZA SANTA COLOMA	50.00
UTE LIMPIEZA Y RSU LEZO	55.00
UTE LODOS ARAZURI	50.00
UTE LOGROÑO LIMPIO	50.00
UTE LUZE VIGO	40.00
UTE LV ARRASATE	60.00
UTE LV RSU VITORIA-GASTEIZ	60.00
UTE LV Y RSU ARUCAS	70.00
UTE LV ZUMAIA	60.00
UTE LV ZUMARRAGA	60.00
UTE MANTENIMENT REG CORNELLÀ	60.00
UTE MANTENIMIENTO BREÑA ALTA	50.00
UTE MANTENIMIENTO COLEGIOS III	60.00
UTE MAREPA – CARPA PAMPLONA	50.00
UTE MELILLA	50.00
UTE MNTO. EDIFICI MOSSOS ESQUADRA	70.00
UTE MNTO. MEDITERRANEA FCC	50.00
UTE MUÉRDAGO	60.00
UTE MUSKIZ	32.00
UTE NERBIOI IBAIZABAL 5º CONTENEDOR	60.00
UTE ONDA EXPLOTACIÓN	33.33
UTE PÁJARA	70.00
UTE PAMPLONA	80.00
UTE PARQUES INFANTILES LP	50.00
UTE PASAIA	70.00
UTE PASAIAKO PORTUA BI	55.00
UTE PISCINA CUBIERTA BENICARLÓ	65.00
UTE PISCINA CUBIERTA PAIPORTA	90.00

	Percentage of ownership at 31 December 2017
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 GIPUZKOA	55.00
UTE PLAYAS GIPUZKOA II	55.00
UTE PLAYAS GIPUZKOA III	60.00
UTE PONIENTE ALMERIENSE	50.00
UTE PORTMANY	50.00
UTE PUERTO II	70.00
UTE PUERTO DE PASAIA	55.00
UTE PUERTO DE PTO DEL ROSARIO	70.00
UTE R.S. PONIENTE ALMERIENSE	50.00
UTE RBU ELS PORTS	50.00
UTE RBU VILLA-REAL	47.00
UTE RESIDENCIA	50.00
UTE RESIDUOS 3 ZONAS NAVARRA	60.00
UTE RSU BILBAO II	60.00
UTE RSU CHIPIONA	50.00
UTE RSU INCA	80.00
UTE RSU LV S. BME. TIRAJANA	50.00
UTE RSU SESTAO	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
UTE S.U. OROPESA DEL MAR	35.00

	Percentage of ownership at 31 December 2017
UTE SANEAMIENTO URBANO CASTELLÓN	65.00
UTE SANEAMIENTO VITORIA-GASTEIZ	60.00
UTE SANEJAMENT CELLERA DE TER	50.00
UTE SANEJAMENT MANRESA	80.00
UTE SASIETA	75.00
UTE SAV – FCC TRATAMIENTOS	35.00
UTE SEGURETAT URBICSA	60.00
UTE SELECTIVA LAS PALMAS	55.00
UTE SELECTIVA SANLUCAR	50.00
UTE SELECTIVA SAN MARCOS	60.00
UTE SELECTIVA SAN MARCOS II	63.00
UTE SELECTIVA UROLA KOSTA	60.00
UTE SELECTIVA UROLA KOSTA II 2017	60.00
UTE SELLADO VERTEDERO LOGROÑO	50.00
UTE SOLARES CEUTA	50.00
UTE SON ESPASES	50.00
UTE TOLOSAKO GARBIKETA	40.00
UTE TRANSPORTE RSU	33.33
UTE TRANSP. Y ELIM. RSU	33.33
UTE TRANSPORTE SAN MARCOS	80.00
UTE TXINGUDIKO GARBIKETA	73.00
UTE UROLA ERDIA	60.00
UTE URRETXU Y ZUMARRAGA	65.00
UTE URTETA	50.00
UTE VERTEDERO GARDELEGUI III	70.00
UTE VERTRESA	10.00
UTE VIDRIO MELILLA	50.00
UTE VIGO RECICLA	70.00

	Percentage of ownership at 31 December 2017
UTE VILOMARA II	33.33
UTE VINAROZ	50.00
UTE ZAMORA LIMPIA	30.00
UTE ZARAGOZA DELICIAS	51.00
UTE ZARAUZKO GARBIETA	60.00
UTE ZUMAIA	60.00
UTE ZURITA II	50.00
AQUALIA	
A.I.E. COSTA BRAVA ABASTAMENT AQUALIA-SOREA	50.00
A.I.E. ITAM DELTA DE LA TORDERA	50.10
A.I.E. SOREA AQUALIA	37.50
ABASTAMENT EN ALTA COSTA BRAVA EMPRESA MIXTA, S.A.	26.00
AGUAS Y SERVICIOS DE LA COSTA TROPICAL DE GRANADA, A.I.E.	51.00
ASOCIEREA FCC-AQUALIA-SUEZ EDAR GLINA	54.00
EDIFICIO ARGANZUELA UTE	99.99
EMPRESA MIXTA D'AIGÜES DE LA COSTA BRAVA, S.A.	25.00
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	41.25
GESTIÓN DE SERVICIOS HIDRÁULICOS DE CIUDAD REAL, A.I.E.	75.00
UTE ABU RAWASH CONSTRUCCIÓN	50.00
UTE AGUA SANTO DOMINGO	70.00
UTE AGUAS ALCALÁ	50.00
UTE AGUAS DEL DORAMÁS	50.00
UTE AIGÜES ELS POBLETS	95.00
UTE ALKHORAYEF-FCC AQUALIA	51.00
UTE AMPLIACIÓN IDAM DELTA DE LA TORDERA	66.66
UTE CAP DJINET	50.00
UTE COSTA TROPICAL	51.00

	Percentage of ownership at 31 December 2017
UTE COSTA TROPICAL II	51.00
UTE COSTA TROPICAL III	51.00
UTE DEPURACIÓN PONIENTE ALMERIENSE	75.00
UTE EDAR A GUARDA 2013	50.00
UTE EDAR BAEZA	50.00
UTE EDAR GIJÓN	60.00
UTE ETAPS ESTE	65.00
UTE EXPLOTACIÓN ITAM TORDERA	50.00
UTE FCC ACISA AUDING	45.00
UTE GESTIÓN CANGAS	70.00
UTE GROUPEMENT SOLIDAIRE JERBA	50.00
UTE HIDC – HIDR. – INV DO CENTR. ACE	50.00
UTE IBIZA	50.00
UTE IDAM SAN ANTONI	50.00
UTE IDAM SANT ANTONI II	50.00
UTE IDAM SANTA EULALIA	50.00
UTE IDGA SANECA	70.00
UTE INFILCO	50.00
UTE LOURO	65.00
UTE MOSTAGANEM	50.00
UTE OYM CAP DJINET	50.00
UTE OYM MOSTAGANEM	50.00
UTE 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 SOLLONAKO URA	50.00

	Percentage of ownership at 31 December 2017
UTE USSA A	65.00
UTE USSA A17	65.00
UTE VIGO PISCINAS	50.00
CONSTRUCTION	
ACE CAET XXI CONSTRUÇOES	50.00
ACE RIBEIRADIO-ERMIDA	55.00
ACP DU PORT DE LA CONDAMINE	45.00
ASOC. ASTALDI-FCC-SALCEF-THALES, LOT 2 A	49.50
ASOC. ASTALDI-FCC-SALCEF-THALES, LOT 2 B	49.50
ASOC. FCC AZVI STRACO S. ATEL-MICASASA	55.00
ASOCIEREA FCC-ASTALDI-CONVENSA, TRONSON 3	50.50
ASOCIEREA FCC AZVI S. SIGHISOARA - ATEL	55.00
ASTALDI – FCC J.V.	50.00
BSV MERSEY JOINT VENTURE UNINC	50.00
CJV-UJV	35.92
CONSORCIO ANTIOQUÍA AL MAR	40.00
CONSORCIO CENTENARIO DE PANAMÁ SOCIEDAD ACCIDENTAL	50.00
CONSORCIO CHICAGO II	60.00
CONSORCIO CJV CONSTRUCTOR METRO LIMA	25.50
CONSORCIO EPC METRO LIMA	18.25
CONSORCIO FCC CONSTRUCCIÓN-FERROVIAL AGROMAN LTD.A.	50.00
CONSORCIO FCC-FI	50.00
CONSORCIO FCC-JJC (PUERTO CALLAO)	50.00
CONSORCIO FCC METRO SANTA FE DE COSTA RICA	50.00
CONSORCIO ICA – FCC – MECO PAC-4	43.00
CONSORCIO LÍNEA 2	40.00
CONSORCIO LÍNEA UNO	45.00

	Percentage of ownership at 31 December 2017
CONSORCIO M&S SANTA FE MCA	50.00
CONSORCIO NUEVA ESPERANZA	63.00
CONSORCIO REMOS FASE I	60.00
FAST 5 – U.J.V.	28.16
FAST CONSORTIUM LIMITED LLC	35.92
FCC - YUKSEL – ARCHIDORON – PETROSERV J.V.	50.00
GROUPEMENT FCC - INGENIUM	93.00
J.V. ASOCIEREA ARAD-TIMISOARA FCC-ASTALDI	50.00
J.V. ASTALDI-FCC-UTI-ACTIV. MAGISTRALA	37.00
J.V. BYPASS CONSTATA	50.00
J.V. CENTURE OTOPENI OVERPASS	40.00
J.V ESTENSION OF LINE 2 TO ANTOHOUPOLI	50.01
J.V. FCC, HOCHTIEF UN ACB – AEROPUERTO RIGA	36.00
J.V. SFI LEASING COMPANY	30.00
MERSEYLINK CIVIL CONTRACTORS J.V.	33.33
METRO BUCAREST J.V.	47.50
SHIMMICK CO. INC. FCC CO. IMPREGILO SPA JV	30.00
THV CAFASSO CONSTRUCTION	60.00
TJV-UJV	16.16
UTE 2ª FASE DIQUE DE LA ESFINGE	35.00
UTE ACCESO FERROVIARIO APB	45.00
UTE ACCESO NORTE A VIGO NUEVA ESTACIÓN	50.00
UTE ACCESO PUERTO SECO MONFORTE	50.00
UTE ACCESOS A LA ESTACIÓN DE LA SAGRERA	37.50
UTE ACON. Y PEATON. SAN BARTOLOMÉ TIRAJANA	70.00
UTE ADAMUZ	33.33
UTE AEROPUERTO DE CASTELLÓN	50.00
UTE AL – DEL OLMEDO	50.00

	Percentage of ownership at 31 December 2017
UTE ALAMEDA DE CERVANTES EN LORCA	60.00
UTE ALMENDRALEJO II	50.00
UTE AMP. PLAT. COSTERA REC. GUINIGUADA	50.00
UTE AMPLIACIÓN PUERTO PLAYA BLANCA	92.50
UTE ANAGA	33.33
UTE APARATOS ATOCHA	39.97
UTE ARROYO DEL FRESNO	50.00
UTE AUCOSTA CONSERVACIÓN	50.00
UTE AUDITORIO DE BURGOS	65.00
UTE AUDITORIO DE LUGO	50.00
UTE AUTOPISTA CARTAGENA – VERA	50.00
UTE AUTOVÍA A-33 JUMILLA	65.00
UTE AUTOVÍA COSTA BRAVA	65.00
UTE AUTOVÍA DE LA SAGRA	50.00
UTE AUTOVÍA EL BATÁN – CORIA	50.00
UTE AVE ALCÁNTARA-GARROVILLAS	85.00
UTE AVE GIRONA	40.00
UTE AVE MASIDE	67.00
UTE AVE TÚNEL DE SERRANO	42.00
UTE BALLONTI ARDANZA	9.80
UTE BARBADOS	50.00
UTE BELLTALL	40.00
UTE BERGARA ANTZUOLA	50.00
UTE BILBAO MANTENDU	24.50
UTE BIMENES III	70.00
UTE BOETTICHER	50.00
UTE BOETTICHER CLIMA	50.00
UTE BOETTICHER ELECTRICIDAD	50.00

	Percentage of ownership at 31 December 2017
UTE BOQUILLA SUR TÚNEL VIGO – DAS MACEIRA	50.00
UTE BUSINESS	25.00
UTE C&F JAMAICA	50.00
UTE C.A.R.E. CÓRDOBA	75.00
UTE CÁCERES NORTE	50.00
UTE CÁCERES PLASENCIA	50.00
UTE CAMPO GIBRALTAR	80.00
UTE CAMPUS CLIMA	50.00
UTE CANAL PRINCIPAL DE ORBIGO	50.00
UTE CÁRCEL MARCOS PAZ	35.00
UTE CARCHUNA – CASTELL	75.00
UTE CARRETERA IBIZA – SAN ANTONIO	50.00
UTE CASTRUM ALBUM ELECTRIFICACION	60.00
UTE CATLÁNTICO	25.00
UTE CECOEX	20.00
UTE CEIP OROSO	60.00
UTE CENTRO COMERCIAL LA GRELA	50.00
UTE CENTRO COMERCIAL MESOIRO	50.00
UTE CENTRO SALUD TUI	50.00
UTE CHUAC	50.00
UTE CIRCUITO	70.00
UTE CIUTAT DE LA JUSTÍCIA	30.00
UTE CONEXIÓN CORREDOR MEDITERRÁNEO	40.00
UTE CONEXIÓN MOLINAR	70.00
UTE CONS. GESTOR PTAR SALITRE	30.00
UTE CONSERVACIÓN ANTEQUERA	50.00
UTE CONSERVACIÓN BADAJOZ	50.00
UTE CONSERVACION EXA1	50.00

	Percentage of ownership at 31 December 2017
UTE CONSERVACIÓN MALPARTIDA	50.00
UTE CONSTR. PTAR AMBATO	60.00
UTE CONSTRUCCIÓN TRANVÍA ZARAGOZA	50.00
UTE CONTROL MOGÁN	33.33
UTE COPERO	70.00
UTE CREAA	50.00
UTE CYS – IKUSI – GMV	43.50
UTE DÁRSENA CORUÑA	50.00
UTE DE SUMINISTROS PUENTE RÍO OZAMA	50.00
UTE DESALADORA BAJO ALMANZORA	60.00
UTE DESARROLLO PUERTO DE AVILÉS FASE I	80.00
UTE DESDOBLAMIENTO C.V. – 309 EN SAGUNTO	50.00
UTE DIQUE ESTE	35.00
UTE DIQUE TORRES	27.00
UTE DOCENCIA HOSPITAL SON ESPASES	33.00
UTE DONOSTIALDEA 2014	60.00
UTE DOZÓN	29.60
UTE DRENAJES ADAMUZ	33.33
UTE EDIFICIO C. CULT. POLIV., F. II-V. D'UIXÓ	60.00
UTE EDIFICIO TERMINAL	40.00
UTE ELECTRICIDAD BY PASS SUR CALLE 30	33.33
UTE ELECTRIFICACIÓN GRANOLLERS	20.00
UTE ENCAUZAMIENTO BARRANCO DE FRAGA	60.00
UTE EQUIPAMIENTO AUDITORIO BURGOS	65.00
UTE ESCLUSA SEVILLA	70.00
UTE ESTACIÓN GIRONA	40.00
UTE ESTACIONS AEROPORT L9	49.00
UTE ESTACIONS LÍNEA 9	33.00

	Percentage of ownership at 31 December 2017
UTE ESTACIONS TERRASSA	36.00
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 FGV LINEA 9 CALP-TEULADA	62.50
UTE FGV VARIANTE TRAMO FINCA ADOC	55.00
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 GOIÁN	70.00
UTE GOIERRIALDEA 2010	55.00
UTE GRANADA	70.00
UTE GRANADILLA II	50.00
UTE GUADARRAMA 3	33.33
UTE GUADARRAMA 4	33.33
UTE 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

	Percentage of ownership at 31 December 2017
UTE HOSPITAL DEL SUR, SEGUNDA FASE	40.00
UTE HOSPITAL FCC – VVO	80.00
UTE HOSPITAL NORTE TENERIFE	80.00
UTE HOSPITAL SON DURETA	33.00
UTE HOSPITAL UNIVERSITARIO DE MURCIA	50.00
UTE HUELVA SUDESTE	40.00
UTE IBAI EDER	24.50
UTE IBARRETA	24.50
UTE IECISA-FCC/CPD DE CONSELL MALLORCA	50.00
UTE IECISA-FCC/INTERFONIA EN ESTACIONES	50.00
UTE IMPERMEABILIZACIÓN TÚNEL PAJARES NORTE	50.00
UTE INSTALACIONES EDIFICIO C	25.00
UTE INSTALACIONES ELÉCTRICAS MOGÁN	50.00
UTE INSTALACIONES FGC	36.00
UTE INSTALACIONES MADRID ESTE	46.25
UTE INSTALACIONES METRO MÁLAGA	54.00
UTE INTERFAZ	50.00
UTE INTERFÍCIES AEROPORT L9	49.00
UTE INTERMODAL PRAT	35.00
UTE JAÉN – MANCHA REAL	80.00
UTE JUAN GRANDE	50.00
UTE LA ALDEA	35.00
UTE LAKUA 796	24.50
UTE LA ROBLA	30.00
UTE LAUDIO	24.50
UTE LÍNEA 1 TRANVÍA DE MURCIA	50.00
UTE LÍNEA 2	50.00
UTE LÍNEA 9	33.00

	Percentage of ownership at 31 December 2017
UTE LLOVIO 2012	70.00
UTE LOT 2 PMI BCN	80.00
UTE LOT 3 PMI BCN	80.00
UTE M-407	50.00
UTE MALLABIA	14.70
UTE MAN. AEROPORT L9	49.00
UTE MANTENIMENT RONDES 2012	70.00
UTE MANTENIMIENTO ARANJUEZ II	76.00
UTE MANTENIMIENTO ARANJUEZ III	76.00
UTE MANTENIMIENTO CÓRDOBA	49.00
UTE MANTENIMIENTO CÓRDOBA II	49.00
UTE MANTENIMIENTO ENERGÍA METRO MÁLAGA	50.00
UTE MANTENIMIENTO HUSE	50.00
UTE MANTENIMIENTO TDM	50.00
UTE MANTENIMIENTO TRANVÍA ZARAGOZA	50.00
UTE MANTENIMIENTO SISTEMAS METRO MÁLAGA	35.00
UTE MANTENIMIENTO VÍA ARANJUEZ	50.00
UTE MAQUINARIA PESADA 2015	50.00
UTE MAQUINARIA VERÍN	50.00
UTE MÁRGENES NORTE	50.00
UTE MÁRGENES NORTE 2016	50.00
UTE MATADERO	57.50
UTE MEDINACELI	22.40
UTE MEJORA ESTRUCTURAS MORA	39.97
UTE METRO MÁLAGA	36.00
UTE MIV CENTRO	19.00
UTE MIV SUR	27.00
UTE MONFORTE	24.00

	Percentage of ownership at 31 December 2017
UTE MONTAJE VÍA MOLLET – GIRONA	50.00
UTE MORA - CALATRAVA	39.97
UTE MORALEDA	66.00
UTE MTM. ARQUITECTURA, INFRAESTR. Y VÍA	28.00
UTE MTMTO. ENERGÍA Y ELECTROMEC. METRO MÁLAGA	50.00
UTE MTMTO. REDES Y SISTEMAS METRO MÁLAGA	40.00
UTE MUELLE DE LA QUÍMICA	70.00
UTE MUELLE PONIENTE NORTE DE PTO PALMA	75.00
UTE MUELLES COMERCIALES	60.00
UTE MUNGUIA	13.72
UTE MURCIA	40.00
UTE MURSIYA MANTENIMIENTO	85.00
UTE MUSEO NACIONAL DE LA ENERGÍA	50.00
UTE NACIMIENTO	54.00
UTE NTC CÁDIZ	50.00
UTE NUDO DE MOLLET	50.00
UTE NUEVO ESTADIO VCF	49.00
UTE NUEVO HOSPITAL DE CÁCERES	33.33
UTE NUEVO PUERTO DE IGOUMENITZA	50.00
UTE OPERADORA TERMOSOLAR GUZMÁN	67.50
UTE OPERADORA VILLENA	88.00
UTE ORENSE – MELÓN	50.00
UTE PABELLÓN ARENA	50.00
UTE PABELLÓN REYNO DE NAVARRA	50.00
UTE PAGO DE ENMEDIO	75.00
UTE PALACIO DE CONGRESOS DE LEÓN	50.00
UTE PARQUE TECNOLÓGICO	60.00
UTE PASAIA BERRI	50.00

	Percentage of ownership at 31 December 2017
UTE PASAIA BERRI INSTALACIONES	80.00
UTE PCI METRO DE MÁLAGA	40.00
UTE PLA DE NA TESA	70.00
UTE PLATAFORMA NOROESTE	50.00
UTE PLATAFORMA TPTE PBCO CASTELLÓN	55.00
UTE PLATAFORMA TTE.PUB. TRAMO I COLUMBRETES	55.00
UTE POLA DE LENA	70.00
UTE POLÍGONO BOBES	50.00
UTE POLÍGONO LLOREDA	70.00
UTE PONT DE CANDI	75.00
UTE PRESA ENCISO	50.00
UTE PRESAS ITOIZ	33.00
UTE PREVENCIÓN INCENDIOS PATRIMONIO	20.00
UTE PRIM BARRIO SAN ANTON – ELCHE	80.00
UTE PROLONGACIÓN DIQUE REINA SOFÍA	40.00
UTE PROSER – GEOCONTROL	60.00
UTE PROSER – GEOCONTROL II	62.00
UTE PSIR CASTRO URDIALES	50.00
UTE PTAR SAN SILVESTRE	50.00
UTE PUENTE RÍO OZAMA (DFC-COCIMAR)	35.00
UTE PUENTE DEL REY	33.33
UTE PUERTO DE GRANADILLA	50.00
UTE PUERTO DE LAREDO	50.00
UTE R. ARCADIA	97.00
UTE RADIALES	35.00
UTE RED ARTERIAL PALENCIA FASE I	80.00
UTE REFORMA HOSPITAL V SALUD (TOLEDO)	60.00
UTE REGADÍOS RÍO FLUMEN	60.00

	Percentage of ownership at 31 December 2017
UTE RESIDENCIAS REAL MADRID	50.00
UTE RÍO CABE	50.00
UTE RUTA NACIONAL HAITÍ	55.00
UTE S.A.I.H. SUR	40.00
UTE SAGUNTO	60.00
UTE SAN PEDRO	24.50
UTE SANEAMIENTO ARCO SUR	56.50
UTE SANEAMIENTO DE VILLAVICIOSA	80.00
UTE SANTA MARIA D'OLÓ-GURB	60.00
UTE SECTOR M-5 2012	70.00
UTE SERV. ENERG. PISCINA CUB. S. CABALLO	50.00
UTE SICA	60.00
UTE SIMULADOR APBA	50.00
UTE SISTEMA INTEGRAL ALACANTI SUR	66.67
UTE SISTEMAS METRO MALAGA	25.00
UTE SOTIELLO	50.00
UTE SSAA AP – 7	50.00
UTE TARRAGONA LITORAL	70.00
UTE TECSACON	20.00
UTE TECSACON 2017	20.00
UTE TERMOSOLAR GUZMÁN	67.50
UTE TF-5 2ª FASE	70.00
UTE TINDAYA	50.00
UTE TORQUEMADA	50.00
UTE TORRE DON JIMENO	50.00
UTE TORRE ISLA CARTUJA	80.00
UTE TS VILLENA	88.00
UTE TÚNEL AEROPORT	33.00

	Percentage of ownership at 31 December 2017
UTE TÚNEL AEROPORT II	33.00
UTE TÚNEL C.E.L.A.	50.00
UTE TÚNEL DE PAJARES 1	50.00
UTE TÚNEL FIRA	33.00
UTE TÚNEL LA ALDEA	50.00
UTE TÚNEL LOS ROJALES	95.00
UTE TÚNEL PROVISIONAL ESTACIÓN ATOCHA	42.00
UTE TÚNEL TERRASSA	36.00
UTE TUNELADORA METRO	33.00
UTE TÚNELES BOLAÑOS	47.50
UTE TÚNELES DE BARAJAS	50.00
UTE TÚNELES DE GUADARRAMA	33.33
UTE TÚNELES DE SORBES	67.00
UTE TÚNELES FIGUERES	95.00
UTE UE 1 ARROYO DEL FRESNO	50.00
UTE UE 2 ARROYO DEL FRESNO	50.00
UTE UNQUERA – PENDUELES	80.00
UTE URBANITZACIÓ GIRONA	40.00
UTE URBANIZACIÓN PARC SAGUNT	50.00
UTE URBANIZACIÓN VIA PARQUE TRAMO AV. CARB.-P	60.00
UTE VALDEVIVIENDAS II	33.33
UTE VANDELLÓS	24.00
UTE VARIANTE MANCHA REAL	67.00
UTE VELÓDROMO	60.00
UTE VERTEDERO CASTAÑEDA	62.50
UTE VÍA PAJARES	50.00
UTE VIADUCTOS PREFABRICADOS METRO RIYAD	50.00
UTE VIC - RIPOLL	34.00

	Percentage of ownership at 31 December 2017
UTE VIGO-DAS MACEIRAS	50.00
UTE VILARIÑO (VÍA IZQUIERDA)	90.00
UTE VILLAR – PLASENCIA	70.00
UTE YELTES	75.00
UTE YESA	33.33
UTE ZONAS VERDES ENSANCHE DE VALLECAS	33.33
OTHER ACTIVITIES	
C.G.T. – UTE JEREZ CB	50.00
UTE LASGARRE	50.00
UTE MEL 9	49.00
UTE OPERACIÓN TRANVÍA DE MURCIA	50.00
UTE PERI AR.8 LA MADRAZA	99.00
UTE PINO MONTANO P5	50.00
UTE SAGUNTO PARCELA M17-3	50.00
UTE SEMINARIO P3-2	99.00

Director's report

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

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)..

1 The company's situation

1.1. Company business model and strategy: Organisational structure and management decision-making process

The organisational structure of FCC Group is based on a first level made up of areas, which are divided into two large groups which are operational 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.**
- **End-to-End 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:

- **Administration and Finance:** The Administration and Finance Department is made up of the Administration, IT Systems, Finance, Investor Relations and Management Control, Corporate Marketing and Branding, Procurement, and Human Resources units.

  The Administration unit runs the administrative management of the FCC Group. Its duties regarding information systems and internal control include the following:

  – General accounting.

  – Accounts standardisation.

  – Consolidation.

  – Tax consulting.

  – Tax procedures.

  – Tax compliance.

  – Administrative procedures.

- **Internal Auditing and Risk Management:** Its purpose is to provide the Board of Directors, via the Auditing and Control Committee, and the FCC Group's senior management with support for their responsibilities to supervise the internal control system by exercising a function of single, independent governance aligned with professional standards, to contribute towards good corporate governance, verify due compliance with the applicable rules and regulations, both internal and external, and reduce to reasonable levels any impact of risks on the FCC Group's achievement of its objectives.

  To do this, it is structured into two independent roles: Internal auditing, and risk and compliance management.

- **General Secretary's Office:** Depending directly on the Group' Chief Executive, its main duty is to support the Chief Executive's management and that of the heads of FCC's other divisions, by providing all the services detailed in the corresponding sections on FCC's various divisions and departments, whose performance and supervision is the responsibility of the General Secretary.

  The office is made up of these units: Legal Department, Quality Assurance, Corporate Security and General Services and Corporate Responsibility.

On a secondary level, the Areas may be divided into Sectors – operating Sectors - and Divisions functional Divisions -, creating spheres permitting greater specialisation when required.

The structure of the main decision-making bodies is as follows:

- **Board of Directors:** This is the body with the widest-reaching, unrestricted powers, except for those expressly reserved by the Spanish Limited Liability Companies Law or the Bylaws to the powers of the shareholders at the General Meeting.
- **Audit and Control Committee:** Its main function is to support the Board of Directors in its supervisory tasks, through the periodic review of the process for preparing economic and financial information, its internal controls and independence of the external auditor.
- **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:** Each of the business units has its own Management Committee or other committee with similar duties.

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) report.

1.2. Company situation: Company business model and strategy

FCC is one of the main European groups specialised in environmental services, water and infrastructure development, with a presence in over 34 countries worldwide and 45% of its billings sourced from international markets, mainly Europe, Middle East, Latin America and the US.

Environmental Services

The Environmental Services Area has a solid presence in Spain, maintaining a position of leadership in the provision of environmental urban services for over 100 years.

In Spain FCC provides environmental services in around 3,600 municipal districts all over the country, serving a population of more than 28 million. The services provided in this sector include solid-waste collection and street-cleaning, which accounted for 36% and 32%, respectively, of the Area's turnover obtained in this market in Spain in 2017. These activities are followed in importance by waste treatment and elimination, cleaning and maintenance of buildings, parks and gardens, and, to a lesser extent, sewerage. Together they cover nearly 98% of the domestic business, with the remainder corresponding to other services.

In turn, the international business is carried on chiefly in the UK and Central and Eastern Europe through the subsidiaries FCC Environment Limited (UK) and FCC environment CEE, respectively. For a good number of years now FCC has led markets both in integral urban solid waste management and in other environmental services. The services provided in this sector include waste treatment, elimination and collection, which accounted for 56% and 20%, respectively, of total turnover in 2017.

The Environmental Services Unit also specialises in the integrated handling of industrial and commercial waste, recovery of by-products and soil decontamination, through FCC Ámbito. Its extensive network of handling and valuation facilities means that waste can be handled correctly, thereby assuring the protection of the environment and people's health.

Internationally, considerable growth has been noted in USW and industrial-waste collection in the United States.

The strategy in Spain will focus on staying competitive through quality and innovation, extending the efficiency and quality of services based on innovation and accumulated know-how, and continuing to make progress in providing smarter services for more sustainable and responsible cities.

However, the waste-treatment business will be slowed down by the high volume of investment required and the non-implementation of the National Waste Plan.

This year we will continue to focus on the efficiency of operations and growing our business. In this regard, the inclusion of new technologies will enable us to further consolidate our strength in the markets for waste recycling and valuation in Europe and position ourselves as key players in the circular economy. With regard to the United States, the business will continue to be developed in the years to come.

End-to-end Water Management

Globally, FCC Aqualia serves more than 23 million users and provides services to more than 1,100 municipal districts in 21 countries, offering the market full solutions for the needs of public and private entities and organisations at every stage of the integrated water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's business focuses on concessions and services, covering concessions for distribution networks, BOT, O&M and irrigation services, as well as technology and network tasks covering EPC contracts and industrial water-treatment activities.

In 2017, the Spanish market accounted for 77% of total turnover and 77.7% of the unit's EBITDA, and the trend for billing volumes to recover that began in 2015 and 2016 has continued. The legal framework in which contracts are undertaken does not lead us to expect any significant risks for the business in the short term. Central and regional governments are not currently calling for tenders for major water-infrastructure concessions, mainly because of the tax-consolidation and debt-reduction process that the authorities are continuing to apply, thus increasing the shortfall in infrastructure renewal and growth. Despite this, we have won new contracts or secured extensions to existing ones for integrated-water-cycle concessions with an extremely high level of loyalty (more than 90%) being shown by the local authorities we work with. Aqualia has also made considerable efforts to extend its presence in the facilities O&M market (WWTPs, DWTPs, desalinisation plants), winning several major contracts in Spain.

The international market achieved a turnover and EBITDA accounting for 23% and 22.3% of the total, respectively. FCC Aqualia focuses its business in Europe, North Africa, the Middle East and the Americas, currently holding contracts in more than 15 countries.

The unit continues to seek to stay competitive in markets with a consolidated local presence (Europe) and make the most of any opportunities that arise with regard to the management of public services for the urban water cycle. In other expansion markets, growth through BOT will be strengthened (North Africa, Latin America and the Middle East), together with O&M, while further options in others will be explored (e.g., United States). FCC Aqualia always makes full use of its experience in the integrated management of the water cycle to seek new business opportunities in countries where the political and social climate is stable.

Construction

This Area is mainly involved in the design and construction of large civil engineering and industrial works and building construction projects. 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.

64% of all earnings come from abroad, including the building of major infrastructure projects such as Riyadh Metro lines 4, 5 and 6, Lima Metro line 2, Doha Metro, the Mersey Bridge and Panama Metro line 2, with some still in the early stages of construction. Major contracts won in 2017 include the refurbishment of sections of the Gurasoada – Simeria railway line (sectors 2a, 2b and 3) for €146 million, €154 million and €300 million, respectively.

The unit's strategy focuses on the development and construction of major, technically complex infrastructure projects, with assured funding and in countries with a stable presence, in order to optimise the profitability of the experience and the technical skills of its work teams.

Cement

The FCC Group carries on its cement activity through Cementos Portland Valderrivas (CPV). Its business is devoted to manufacturing cement, which in 2017 accounted for more than 90% of all the business's earnings, with the remainder mostly coming from the concrete, mortar and aggregate businesses. Its business is based at various cement-production sites in Spain (7) and Tunisia (1).

With regard to its geographical diversification, 40% of revenue came from international markets. CPV has a presence in Spain, Tunisia and UK, although the company also exports to the UK, North Africa and various locations in Europe from those three countries.

The company enjoys a position of leadership both in its main market, Spain, and in Tunisia.

CPV's main objective continues to be to remain competitive in terms of both costs and market share in the markets in which it operates, attempting to retain its status as an industry benchmark in all the countries in which it has a presence.

2 Business performance and results

2.1. Business performance

2.1.1. Significant events

- **Pablo Colio appointed CEO of FCC**

In September, the Board of Directors of FCC, S.A. voted unanimously to appoint Pablo Colio as Group CEO in place of Carlos Jarque, who stepped down as CEO on 12 September and continues as a proprietary director. The current CEO has extensive experience, including 23 years in a range of executive positions in the FCC Group.

- **FCC Aqualia repurchases 49% of its Czech Republic subsidiary from Mitsui**

In November, FCC Aqualia reached an agreement with Mitsui to repurchase a 49% stake in the company that heads its water business in the Czech Republic for €92.5 million, thereby recovering 100% of that business and, indirectly, of its Czech subsidiary, SmVak. The transaction had not been completed at year-end as it was pending approval by the Czech authorities; that approval had been obtained by the date of this report, enabling the transaction to be completed

- **FCC Aqualia chosen Water Company of the Year 2017**

FCC Aqualia, the company that heads the Water division, was named Water Company of the Year 2017 last December by iAgua magazine. Aqualia was also the winner in five other categories.

- **FCC Environmental Services division obtains contract for a second recycling plant in the US**

In December, the city of Houston, Texas, awarded FCC Environmental Services a contract to design, build and operate a recycling plant. The 15-year contract, with scope for a 5-year extension, represents a backlog of $250 million; the plant will initially be able to process 120,000 tons per year. The deal further expands the company's footprint in the US, where revenues increased by 66.9% in 2017. Additionally, the Dallas plant, which is operational, was named Recycling Facility of the Year by the US National Waste & Recycling Association (NWRA).

Also notable was the entry into service in 2017 of the company's ninth energy-from-waste facility; managed by Mercia Waste Management, which is owned 50% by the FCC Group, the plant processes waste from Worcestershire and Herefordshire (UK).

FCC Construction ends 2017 with 7.2% growth in the overall backlog

At 2017 year-end, the Group's Construction area had an aggregate attributable backlog amounting to €4,935.3 million (€4,299.9 in consolidated terms plus €635.4 million attributable in other contracts not reflected in consolidated revenues). This increase was due notably to: (i) upgrade work on three sections of railway line in Transylvania (Romania), worth €599 million attributable to FCC; the work is to be completed in 36 months and establishes Romania as one of FCC's main markets in this business; and (ii) the adjudication to a consortium headed by Grupo Carso, in which FCC has a 14.3% stake, of a contract to build the terminal building at Mexico City's new international airport; the 44-month contract is worth over €3,900 million in total.

The backlog does not yet reflect the Corredor de las Playas I (Panama) contract, awarded in November to a consortium involving the company that heads the Construction division; the 20-month contract, in which the budget attributable to FCC Construction amounts to $266 million, is to expand a section of the Inter-American Highway.

Successful novation of the bulk of the FCC Group's interest-bearing debt

The novation of the conditions governing FCC, S.A.'s syndicated loan came into force on 8 June 2017; this is a milestone in the process of optimising the Group's finances and had an immediate positive impact on cash flow. The refinancing agreement was completed with the early repayment of €1,069 million of existing borrowings using the funds obtained from two corporate bond issues by FCC Aqualia, S.A. in the international market. The bonds, with nominal amounts of €700 million and €650 million, mature in 2022 and 2027 and pay coupons of 2% on average.

After this partial repayment, the Group's corporate financial net debt was reduced substantially to a balance of €1,283.1 million as of year-end, 44.9% less than at the end of 2016, and its main maturity was extended to five years, while the interest rate on the bulk was linked to Euribor plus a spread of 2.3%, i.e. about 170 basis points less than in the previous structure. This combined deal also substantially reduced the FCC Group's overall funding costs.

2.1.2. Executive summary

- Net attributable profit amounted to €118 million in 2017, contrasting with the loss of € 161.6 million in 2016, which included goodwill impairment in the Cement business.
- Consolidated revenues amounted to €5,802 million, 2.5% less than in 2016. This reduction was due entirely to the deconsolidation of Giant (cement business in the US) since 1 November 2016, and to the euro's strength against most of the other currencies in which the Group operates. Adjusting for both effects, the FCC Group's comparable revenues increased by 1.6% with respect to 2016.
- Group EBITDA declined slightly, by 2.2%, to €815.4 million, compared with €833.7 million in 2016; however, adjusting for the aforementioned revenue effects, EBITDA would have increased by +2.7%. The EBITDA margin was 14.1%, slightly higher than in 2016. EBITDA performance reflected the outcome of the measures to improve efficiency in structural expenses (-16.8% year-on-year), synergies and productivity improvements.
- Net financial expenses declined by -10.9% to €257.7 million in the year, even though the 2016 figure included a positive contribution of €58 million as a result of refinancing transactions. Excluding this effect, financial expenses declined by 41.2%.
- Consolidated net interest-bearing debt was cut by 0.3% to €3,579.5 million at 31 December 2017, a reduction of €11.4 million.

KEY FIGURES

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Net sales	5,802.0	5,951.6	-2.5%
EBITDA	815.4	833.7	-2.2%
EBITDA margin	*14.1%*	*14.0%*	*0.1 p.p*
EBIT	435.9	93.6	N/A
EBIT margin	*7.5%*	*1,6.*	*5.9 p.p*
Income attributable to equity holders of the parent company	118.0	(161.6)	N/A
Operating cash flow	768.9	1,024.9	-25.0%
Investing cash flow	(150.9)	(94.7)	59.3%
Net equity	938.5	872.9	7.5%
Net financial debt	3,579.5	3,590.9	-0.3%
Backlog	29,377.4	30,589.9	-4.0%

2.1.3. Summary by business area

(M€)

Area	Dec. 17	Dec. 16	Chg. (%)	% of 2017 total	% of 2016 total
REVENUES BY BUSINESS AREA					
Environment	2,736.0	2,728.1	0.3%	47.2%	45.8%
Water	1,025.9	1,009.8	1.6%	17.7%	17.0%
Construction	1,681.5	1,652.6	1.7%	29.0%	27.8%
Cement	340.4	536.2	-36.5%	5.9%	9.0%
Corp. services adjust.	18.2	24.9	-26.9%	0.3%	0.4%
Total	**5,802.0**	**5,951.6**	**-2.5%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	3,185.2	3,072.5	3.7%	54.9%	51.6%
United Kingdom	755.0	889.3	-15.1%	13.0%	14.9%
Middle East& Africa	653.9	716.2	-8.7%	11.3%	12.0%
Rest of Europe and RoW	463.1	428.4	8.1%	8.0%	7.2%
Latin America	414.5	356.0	16.4%	7.1%	6.0%
Czech Republic	264.4	241.6	9.4%	4.6%	4.1%
US and Canada	65.7	247.7	-73.5%	1.1%	4.2%
Total	**5,802.0**	**5,951.6**	**-2.5%**	**100.0%**	**100.0%**
EBITDA*					
Environment	425.8	438.7	-2.9%	52.2%	52.6%
Water	241.5	231.4	4.4%	29.6%	27.8%
Construction	70.3	55.0	27.8%	8.6%	6.6%
Cement	57.8	89.2	-35.2%	7.1%	10.7%
Corp. services and adjust.	20.0	19.4	3.1%	2.5%	2.3%
Total	**815.4**	**833.7**	**-2.2%**	**100.0%**	**100.0%**

(M€)

Area	Dec. 17	Dec. 16	Chg. (%)	% of 2017 total	% of 2016 total
EBIT					
Environment	203.4	221.8	-8.3%	46.7%	N/A
Water	153.2	144.1	6.3%	35.1%	N/A
Construction	84.8	(47.4)	N/A	19.5%	N/A
Cement	26.1	(120.4)	-121.7%	6.0%	N/A
Corp. services and adjust.	(31.6)	(104.5)	-69.8%	-7.2%	N/A
	435.9	**93.6**	**N/A**	**100.0%**	**N/A**
Total	**435,9**	**93,6**	**N/A**	**100,0%**	**N/A**
NET FINANCIAL DEBT*					
With recourse	1,283.1	2,329.1	-44.9%	35.8%	64.9%
Without recourse					
Environment	374.4	439.0	-14.7%	10.5%	12.2%
Water	1,383.8	246.2	462.1%	38.7%	6.9%
Construction	0.0	0.0	N/A	0.0%	0.0%
Cement	475.6	511.4	-7.0%	13.3%	14.2%
Corporate	62.6	65.2	-4.0%	1.7%	1.8%
Total	**3,579.5**	**3,590.9**	**-0.3%**	**100.0%**	**100.0%**
BACKLOG*					
Environment	10,285.9	11,151.7	-7.8%	35.0%	36.5%
Water	14,791.6	14,955.9	-1.1%	50.4%	48.9%
Construction	4,299.9	4,482.3	-4.1%	14.6%	14.7%
Total	**29,377.4**	**30,589.9**	**-4.0%**	**100.0%**	**100.0%**

* See explanatory note for the definition of the calculation in accordance with ESMA rules (2015/1415en).

NOTE: The Cement area in 2017 does not include the US business, which was deconsolidated on 1 November 2016

2.1.4. Income statement

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Net sales	**5,802.0**	**5,951.6**	**-2.5%**
EBITDA	**815.4**	**833.7**	**-2.2%**
EBITDA margin	14.1%	14.0%	0.1 p.p.
Depreciation and amortisation	(370.8)	(404.8)	-8.4%
Other operating income	(8.7)	(335.3)	-97.4%
EBIT	**435.9**	**93.6**	**N/A**
EBIT margin	7.5%	1.6%	5.9 p.p.
Financial income	(257.7)	(289.1)	-10.9%
Other financial results	(28.9)	(22.2)	30.2%
Equity-accounted affiliates	33.9	56.4	-39.9%
Earnings before taxes (EBT) from continuing operations	**183.2**	**(161.2)**	**N/A**
Corporate income tax expense	(59.6)	(35.0)	70.3%
Income from continuing operations	123.6	(196.2)	N/A
Income from discontinued operations	0.0	(7.3)	N/A
Net income	**123.6**	**(203.5)**	**N/A**
Non-controlling interests	(5.5)	41.9	N/A
Income attributable to equity holders of the parent company	**118.0**	**(161.6)**	**N/A**

2.1.4.1. Net sales

The Group's consolidated revenues declined by 2.5% in 2017 to €5,802 million, as a result mainly of deconsolidating the US cement business in November 2016 and, to a lesser extent, of the depreciation of certain currencies against the euro, principally the sterling pound (-6.5% year-on-year). Adjusting for both effects, consolidated revenues would have increased by 1.6%.

The Water business increased revenues steadily during the year (+1.6%) despite the decline in the Technology and Networks area (waterworks design, engineering and equipment) caused by the completion of certain projects and lower activity in certain projects, in the international arena in both cases. There was a slight increase (+0.3%) in revenues in Environmental Services, hampered by the aforementioned negative exchange rate effect in the UK (-€50.6 million in the year), which was partly offset by greater activity by the recycling plants, new contracts in Spain and the US, and increased activity in all Central European markets.

Infrastructure activities include a 1.7% increase in Construction revenues due to expanded activity on projects in Spain and some other countries, including notably Panama and Qatar, while the 36.5% decline in the Cement area is due almost entirely to deconsolidation of Giant in the US. In comparable zones, Cement revenues reflected an improvement in Spain (+9.4%) and a decline in the Tunisian market and in exports to neighbouring countries, plus a deterioration of the Tunisian currency's exchange rate against the euro.

Revenue breakdown, by region *(M€)*

	Dec. 17	Dec. 16	Chg. (%)
Spain	3,185.2	3,072.5	3.7%
United Kingdom	755.1	889.2	-15.1%
Middle East & Africa	653.9	716.2	-8.7%
Rest of Europe and RoW	463.1	428.4	8.1%
Latin America	414.5	356.0	16.4%
Czech Republic	264.4	241.6	9.4%
US and Canada	65.7	247.7	-73.5%
Total	**5,802.0**	**5,951.6**	**-2.5%**

Revenues increased by 3.7% in Spain to €3,185.2 million, supported by growth in all business areas. In particular, Cement registered a 9.4% increase due to the revival of private sector demand during the year, while Construction expanded by 5%, broadly as a result of more private sector business. Water increased revenues by 3.4%, due to growth in water demand in certain areas, particularly on the coast, and Environmental Services by 2.8% because of the start-up of some contracts and the expansion of others.

Latin America recovered, as revenues increased by 16.4% due to a larger contribution from certain construction projects in Panama, such as Panama City Metro line 2 and a hospital, plus Lima Metro in Peru. In the Water division, the Networks and Technology area completed a number of water projects in Chile and Uruguay.

Revenues increased by 9.4% in the Czech Republic, with particularly good performance by Environmental Services, supported by large volumes of waste processing and certain special winter work contracts, accompanied by a higher contribution from the Water business.

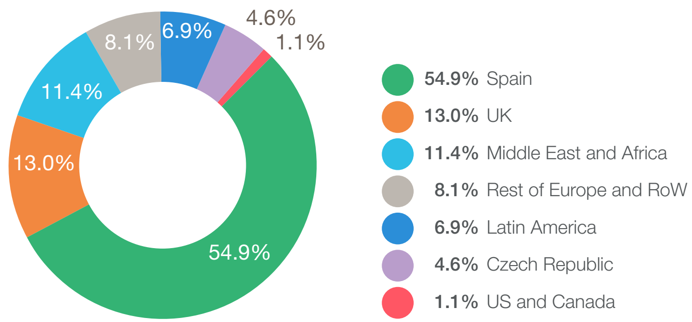
Revenues increased by 8.1% in the Rest of Europe and the Rest of the World (RoW), headed by good Environmental Services performance in Central Europe, where consolidated revenues surged 13% due to expanded activity in all the countries where the Group operates.

In the UK, revenues declined by 15.1% due basically to the exchange rate effect, as sterling depreciated by 6.5% with respect to 2016. The decline was also due, to a lesser extent, to the reduction in landfill tax receipts collected for local authorities, partly offset by a higher revenue contribution from operating energy-from-waste plants. The Construction division completed construction of the Mersey Gateway Bridge in the second half of the year.

Revenues in the Middle East and Africa declined by 8.7% as a result of shrinkage in domestic sales by the Cement business in Tunisia and the steady depreciation of the Tunisian dinar against the euro, plus a reduction in exports to neighbouring countries. Additionally, the Construction area booked an adjustment to the degree of progress with the Riyadh Metro project.

In the United States and Canada, revenues declined 73.5% as a result of deconsolidating the parent company of the Cement business in that region in November 2016. Excluding that business, revenues in that region increased by 6.5% in like-for-like terms as a result of the entry into service of a number of waste collection and treatment contracts (Florida and Texas, respectively) in the Environmental Services area, which offset the slower progress by Construction given the advanced state of the projects in the region.

% Revenues by region



2.1.4.2. EBITDA

EBITDA amounted to €815.4 million in 2017, a 2.2% decline year-on-year due to the effects discussed earlier in the context of revenues; adjusting for them, EBITDA would have increased by +2.7%. The consolidated EBITDA margin increased to 14.1% due to higher operating profitability, synergies and a reduction in the Group's overall structural and administration expenses (16.8%).

EBITDA performance by business area was as follows:

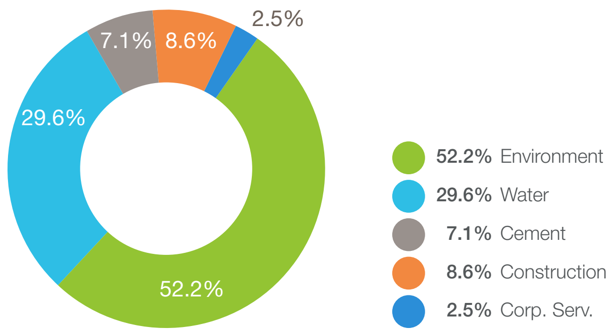
Environmental Services achieved €425.8 million in EBITDA, a 2.9% decline year-on-year. This reduction was due mainly to the exchange rate effect (pound sterling and Egyptian pound), which had an €8.8 million combined impact, and of the baseline effect of certain one-off items in 2016 (default interest and the Spanish tax on retail sale of hydrocarbons) plus other factors such as the increase in fuel costs.

The Water area reported €241.5 million in EBITDA, 4.4% more than in 2016, supported by higher returns in the concessions. The latter, plus the lower contribution by technology and networks, boosted the margin to 23.5% in the full year.

EBITDA in the Construction area amounted to €70.3 million, 27.8% more than in 2016, and the EBITDA margin improved to 4.2% in the year, a considerable increase on the 3.3% margin in 2016. This substantial improvement is also attributable to a sharp reduction in structural expenses achieved through the adjustments implemented last year.

The main impact in Cement was the deconsolidation on 1 November 2016 of the Cement business in the US; that business ceased to contribute to revenues and is now equity-accounted. This area's EBITDA declined by 35.2% to €57.8 million, as a result mainly of the elimination of the US contribution and, to a lesser extent, of operating performance in Tunisia, where sales declined and the Tunisian dinar depreciated sharply (-12.8%).

% EBITDA by Business Area



As a result of that performance by the Group's utilities areas, Environmental Services and Water accounted for 81.8% of Group EBITDA in 2017, compared with 18.2% from infrastructure construction, building and other lesser activities.

2.1.4.3. (EBIT)

EBIT amounted to €435.9 million, a sharp contrast with the €93.6 million in 2016. The difference between years is due mainly to the baseline effect attributable to the impairment of Cement area goodwill in the amount of €299.9 million that was recognised in September 2016. The increase in this item was also supported by an 8.4% decline in depreciation and amortisation due both to the deconsolidation in the Cement area and to the lower use of property, plant and equipment associated with Construction projects. This year's figures also include a €13.3 million extraordinary expense item due to the adjustment on the sale of industrial assets in the US in 2014.

2.1.4.4. Earnings before taxes (EBT) from continuing operations

2.1.4.4.1. Financial income

Net financial expenses declined by 10.9% year-on-year to €257.7 million in 2017. It is important to note that the financial result in 2016 included the positive impact of reducing the Tranche B debt by €58 million through a Dutch auction in April 2016. But for this effect, financial expenses would have declined by 41.2% year-on-year. The adjusted reduction is due to the progressive impact of measures to optimise the funding structure and its associated interest expenses. The positive effects of the financial optimisation measures, particularly the novation of the parent company's syndicated loan and the bonds issued by FCC Aqualia in June, will become visible progressively in the coming years.

2.1.4.4.2.Other financial results

This item amounted to € 28.9 million, contrasting with € 22.2 million in 2016. The main components of this item in 2017 were the significant exchange losses (€ 47.3 million) and the positive impact (€16 million) of the outcome of arbitration in connection with the 2013 sale of Proactiva.

2.1.4.4.3. Equity-accounted affiliates

Companies carried by the equity method contributed €33.9 million to earnings in 2017, as a result of the positive ordinary contribution by affiliates, mainly in the Water, Environmental Services and transport concession businesses, offset by losses in the Cement business in the US (Giant Cement). This contrasts with the €56.4 million recognised in 2016, which included the haircut agreed upon with Realia's lenders, which enabled that affiliate to contribute €31.5 million, and €16.4 million in dividends from a holding in a renewable energy company.

2.1.4.5. Income attributable to the parent company

Net attributable income in 2017 amounted to €118 million, contrasting sharply with the € 161.6 million in losses booked in 2016, and was due to the items referred to above plus the following factors:

2.1.4.5.1. Income tax

The corporate income tax expense amounted to €59.6 million, contrasting with €35 million last year.

2.1.4.5.2. Income from discontinued operations

Discontinued operations contributed zero in 2017, contrasting with a loss of € 7.3 million in 2016, corresponding to the impact of the sale of GVI at the beginning of that year (mainly because of the cancellation of the related financial instruments).

2.1.4.5.3. Non-controlling interests

Non-controlling interests were attributed a profit of €5.5 million in 2017, concentrated in the Water division, contrasting with a loss of € 41.9 million in 2016. This sharp year-on-year difference is due to the aforementioned effect of non-controlling interests' share in the goodwill impairment recognised in the Cement area in 2016.

2.1.5. Balance sheet

(M€)

	Dec. 17	Dec. 16	Change (M€)
Intangible assets	2,485.2	2,536.3	(51.1)
Property, plant and equipment	2,459.0	2,534.6	(75.6)
Equity-accounted affiliates	650.6	669.0	(18.4)
Non-current financial assets	328.4	322.3	6.1
Deferred tax assets and other non-current assets	837.4	946.6	(109.2)
Non-current assets	**6,760.8**	**7,008.7**	**(247.9)**
Non-current assets available for sale	41.4	14.9	26.5
Inventories	569.6	581.6	(12.0)
Trade and other accounts receivable	1,798.3	1,754.7	43.6
Other current financial assets	158.6	263.7	(105.1)
Cash and cash equivalents	1,238.3	1,146.1	92.2
Current assets	**3.806,2**	**3.761,1**	**45,1**
TOTAL ASSETS	**10.566,9**	**10.769,8**	**(202,9)**
Equity attributable to equity holders of parent company	863.9	797.5	66.4
Non-controlling interests	74.6	75.4	(0.8)
Net equity	**938.5**	**872.9**	**65.6**
Grants	215.4	225.5	(10.1)
Non-current provisions	1,141.0	1,175.6	(34.6)
Long-term interest-bearing debt	4,224.6	4,590.1	(365.5)
Other non-current financial liabilities	55.0	69.2	(14.2)
Deferred tax liabilities and other non-current liabilities	476.8	535.3	(58.5)
Non-current liabilities	**6.112,7**	**6.595,6**	**(482,9)**
Liabilities linked to non-current assets available for sale	14.2	14.9	(0.7)
Non-current provisions	165.8	202.9	(37.1)
Short-term interest-bearing debt	751.7	474.9	276.8
Other current financial liabilities	75.8	82.3	(6.5)
Trade and other accounts payable	2,508.1	2,526.3	(18.2)
Current liabilities	**3,515.7**	**3,301.3**	**214.4**
TOTAL LIABILITIES	**10,566.9**	**10,769.8**	**(202.9)**

2.1.5.1. Equity-accounted affiliates

The investment in equity-accounted companies (€650.6 million) comprised the following at 31 December 2017:

1) €209.4 million for the 36.9% stake in Realia.
2) €71.8 million for investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).
3) €82 million for holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).
4) €33.7 million for the 44.6% stake in Giant Cement Holding, the parent company of the Cement division in the US, which has been equity-accounted since November 2016, whereas it was previously fully consolidated, and €22.2 million for other companies in which the Cement area's parent company has a stake.
5) €253.7 million for other holdings (mainly transport infrastructure concessions and renewable energy companies) and loans to affiliated companies.

2.1.5.2. Non-current assets and liabilities available for sale

The entire €41.4 million balance of non-current assets available for sale at year-end corresponds to the residual business of Cemusa in Portugal and the value of the holding in the Cedinsa subgroup (an additional €27.1 million). Those assets have associated liabilities in connection with Cemusa for the same amount: €14.2 million.

2.1.5.3. Cash and cash equivalents

Cash and cash equivalents amounted to €1,238.3 million at the end of the period, 8% more than the balance at 2016 year-end; the increase was concentrated in the fourth quarter and was due to the reduction in working capital, contrasting with the trend that is normally observed in the first half every year.

2.1.5.4. Net equity

At the end of December 2017, equity amounted to €938.5 million, including an 8.3% increase attributable to the Group parent company as a result of earnings in the period.

2.1.5.5. Net interest-bearing debt

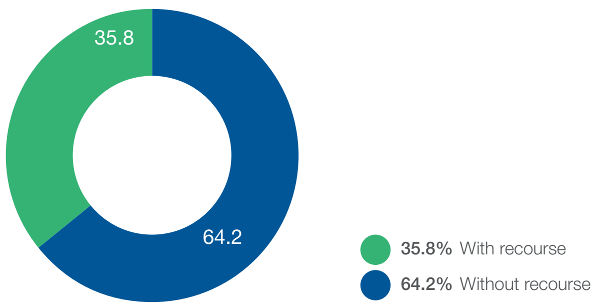
(M€)

	Dec. 17	Dec. 16	Change (M€)
Bank borrowings	3,157.2	4,536.1	(1,378.9)
Debt instruments and other loans	1,609.2	232.4	1,376.8
Accounts payable due to financial leases	59.8	49.4	10.4
Derivatives and other financial liabilities	150.1	183.1	(33.0)
Gross interest-bearing debt	**4,976.3**	**5,001.1**	**(24.8)**
Cash and other current financial assets	(1,396.8)	(1,410.1)	13.3
Net interest-bearing debt	**3,579.5**	**3,590.9**	**(11.4)**
With recourse	*1,283.1*	*2,329.1*	*(1,046.0)*
Without recourse	*2,296.4*	*1,261.8*	*1,034.6*

At the end of December 2017, net interest-bearing debt amounted to €3,579.5 million, €11.4 million less than at 2016 year-end (0.3%). That reduction is attributable to a €33.1 million reduction in working capital and to the investment of €56.1 million in the first quarter of 2017 to buy out most of the minority shareholders in the Cement area, plus €54 million invested in development of a waste-to-energy plant in the Environmental Services business in the UK, which is still under construction.

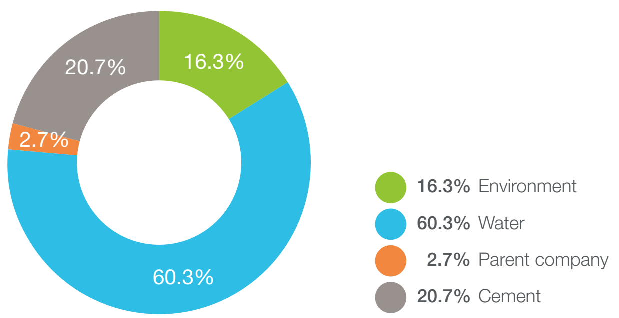
Gross interest-bearing debt also declined slightly, by 0.5% to €4,976.3 million.

Debt With and Without recourse



Net financial debt is divided between corporate debt (35.8%) and debt without recourse (64.2%). Net debt with recourse includes mainly legacy debt from the acquisition of a number of operating companies in the various divisions (excluding Cement) which is structured mostly as a syndicated loan at parent company level. The sizeable 44.9% year-on-year reduction in this item is due to the early partial repayment of €1,069 million using funds from the FCC Aqualia bond issue in June.

Net Debt Without Recourse, by Area



Net interest-bearing debt without recourse to the Group parent company amounted to €2,296.4 million at year-end and included the two FCC Aqualia bonds totalling €1,350 million that were issued in the international capital markets in June. As a result, Water is now the division with the largest amount of non-recourse net debt (€1,383.8 million), which includes not only the aforementioned two bonds but also €189.4 million attributable to the business in the Czech Republic and the remainder to end-to-end water concessions, principally in Spain. The Cement area accounts for €475.6 million, while Environmental Services accounts for €374.4 million (€299.3 million in connection with UK activities, €53.8 million related to Central Europe, and the remainder to other waste treatment and recycling plants in Spain and Portugal). The €62.6 million at parent company level are the project debt of the Coatzacoalcos tunnel concession company in Mexico and of the Conquense highway and Tema concession companies, both in Spain.

2.1.5.6. Other current and non-current financial liabilities

The balance of other current and non-current financial liabilities, which are not classified as interest-bearing debt, amounted to €130.8 million at year-end and includes financial liabilities such as those linked to hedging derivatives, suppliers of property, plant and equipment, and deposits and guarantees received.

2.1.6. Cash flow

(M€)

	Dec. 17	Dec. 16	Chg. (%)
EBITDA	815.4	833.7	-2.2%
(Increase)/decrease in working capital	31.1	331.4	-90.6%
Income tax (paid)/received	(83.7)	(48.6)	72.2%
Other operating cash flow	6.1	(91.6)	N/A
Operating cash flow	**768.9**	**1,024.9**	**-25.0%**
Investment payments	(333.1)	(448.6)	-25.7%
Divestment receipts	173.6	294.2	-41.0%
Other investing cash flow	8.6	59.7	-85.6%
Investing cash flow	**(150.9)**	**(94.7)**	**59.3%**
Interest paid	(185.6)	(316.3)	-41.3%
(Payment)/receipt of financial liabilities	(244.8)	(1,452.7)	-83.1%
Other financing cash flow	(43.3)	677.7	N/A
Financing cash flow	**(473.7)**	**(1,091.3)**	**-56.6%**
Exchange differences, change in consolidation scope, etc.	(52.1)	(38.3)	36.0%
Increase/(decrease) in cash and cash equivalents	**92.2**	**(199.4)**	**N/A**

2.1.6.1. Operating cash flow

In 2017 as a whole, operating cash flow amounted to €768.9 million, i.e. €256 million less than in 2016 despite a substantial improvement in cash conversion, due entirely to lower working capital (€ 300.3 million).

This sizeable difference in working capital performance in 2017 is due to the variation between years in the volume of receivables sold without recourse. Whereas this balance increased by €283.5 million in 2016, it declined by €100.5 million in 2017. Consequently, excluding variations in the sale of receivables between years, working finance needs improved in 2017 with respect to 2016 as a result of the sustained efforts to improve the Group's cash conversion ratio.

(M€)

	Dec. 17	Dec. 16	Change (M€)
Environment	(7.0)	326.2	(333.2)
Water	43.7	21.6	22.1
Construction	(0.3)	41.0	(41.3)
Cement	4.4	(10.4)	14.8
Corporate services and adjustments	(9.7)	(47.0)	37.3
(Increase)/decrease in working capital	**31.1**	**331.4**	**(300.3)**

Environmental Services accounted for the bulk of the year-on-year variation in working capital, basically because of the aforementioned variation in sales of receivables, with a positive baseline effect in 2016 due to receipt of an advance upon delivery of the Buckinghamshire incinerator plant in the UK.

Other operating cash flow refers mainly to cash arising from a €6.1 million variation in provisions in all business areas, contrasting with €91.6 million applied in 2016, basically because of lower provisioning needs (concentrated in the Construction area).

2.1.6.2. Investing cash flow

Investing cash flow totalled €150.9 million in 2017, compared with €94.7 million in 2016.

Investment payments amounted to €333.1 million, concentrated in the Environmental Services area (€210.1 million, including €54 million invested in developing an energy-from-waste plant in the UK). The year-on-year reduction is due to containment of capital spending in the more capital-intensive business areas (i.e. Water and Environmental Services) coupled with lower needs in Construction, plus the payments for equity issues by Realia, which were subscribed for by FCC in the amount of €87.3 million, in line with its 36.9% stake.

Divestment receipts declined to €173.6 million, from €294.2 million in 2016. Some of the main items in 2017 were in Corporate Services, i.e. receipt of the second payment for the sale of GVI, amounting to €106.4 million, and the sale of the company's 3.4% stake in Xfera for €29.1 million.

The breakdown of net investments by area, in terms of net investment payments and divestment receipts, is as follows:

(M€)

	Dec. 17	Dec. 16	Change (M€)
Environment	(201.8)	(150.9)	(50.9)
Water	(67.1)	(55.0)	(12.1)
Construction	(10.7)	(22.7)	12
Cement	2.2	0.9	1.3
Corporate services and adjustments	117.9	73.3	44.6
Net investments (Payments - Receipts)	**(159.5)**	**(154.4)**	**(5.1)**

Other investing cash flows refer to the financial interest received plus other changes in loans to third parties and investees, mainly in the Water and Construction divisions.

2.1.6.3. Financing cash flow

Consolidated financing cash flow amounted to €473.7 million in the period, compared with €1,091.3 million the previous year. The (payment)/receipt of financial liabilities item reflects the net effect of early repayment of a material amount of the Group parent company's syndicated loan using funds from the two bonds issued by FCC Aqualia in June, which amounted to a combined €1,350 million; last year, this item reflected debt repayment using funds from the capital increase performed in the first quarter of 2016.

Interest payments were reduced by 41.3% year-on-year to €185.6 million; this item continues to decline as a result of successive funding optimisation measures, particularly those completed in June by the parent company and the Water area, whose impact will be more evident at full financial year.

Payment/receipt of financial liabilities includes an outflow of €56.1 million in February 2017 to settle FCC's delisting bid for Cementos Portland Valderrivas, in which it increased its effective stake to 99.04% at 31 December 2017.

2.1.6.4. Exchange differences, change in consolidation scope, etc.

This item reflects a negative variation of €52.1 million in 2017, compared with a negative €38.3 million variation in 2016. The negative trend is attributable to the effect of exchange rate fluctuations on the Group's cash balance due to the euro's appreciation, which were concentrated in the Construction area.

2.1.6.5. Variation in cash and cash equivalents

Combining the various cash flows, the Group's cash position increased by €92.2 million with respect to 2016 year-end, to €1,238.3 million at 31 December 2017.

2.1.7. Business performance

2.1.7.1. Environment

The Environmental Services area accounted for 52.2% of Group EBITDA. The bulk of its activities (95% in 2017) involve municipal solid waste collection, treatment and disposal, along with other municipal services such as street cleaning and green area upkeep. The other 5% corresponds to industrial waste collection and management.

FCC's business in Spain focuses on municipal waste management and street cleaning; in the UK, it is involved principally in municipal waste treatment, recovery and disposal; in Central and Eastern Europe, mainly Austria and the Czech Republic, FCC has a balanced presence throughout the waste management chain (collection, processing and disposal).In Portugal and other countries, such as the US, FCC is involved in both industrial and (principally) municipal waste management.

2.1.7.1.1. Results

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Revenues	2,736.0	2,728.1	0.3%
Environment	*2,598.8*	*2,598.7*	*0.0%*
Industrial Waste	*137.2*	*129.4*	*6.0%*
EBITDA	425.8	438.7	-2.9%
EBITDA margin	*15.6%*	*16.1%*	*-0.5 p.p.*
EBIT	203.4	221.8	-8.3%
EBIT margin	*7.4%*	*8.1%*	*-0.7 p.p.*

The Environmental Services area achieved €2,736 million in revenues in the year, 0.3% more than in 2016. This limited increase is broadly attributable to the depreciation of the pound sterling and the Egyptian pound; adjusting for the currency effect, this area's revenues would have increased by 2.2%.

Revenue breakdown, by region

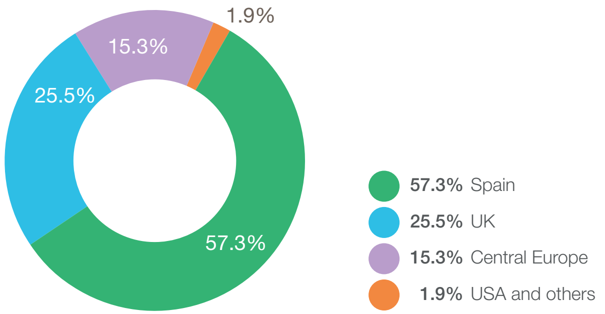
(M€)

	Dic. 17	Dic. 16	Var. (%)
Spain	1,568.5	1,526.0	2.8%
United Kingdom	698.3	776.0	-10.0%
Central Europe	418.6	381.6	9.7%
USA and others	50.6	44.5	13.7%
Total	**2,736.0**	**2,728.1**	**0.3%**

Revenues in Spain increased by 2.8% year-on-year to €1,568.5 million, favoured by contract renewals and extensions obtained in previous periods. Revenues in the UK fell 10% to €698.3 million, as a result mainly of sterling's depreciation (6.5%) and, to a lesser extent, of the smaller contribution from landfill levies in the landfill business and the development of waste treatment plants for operation. At constant exchange rates and excluding the aforementioned factors, revenues in the UK would have increased by 3.6% in 2017.

Revenues in Central Europe increased by 9.7% to €418.6 million, mainly due to a larger volume of winter business in the Czech Republic and a general increase in activity in the other countries in the region, including notably Austria and Romania. Revenues in the USA and other markets increased by 13.7% due to the steadily rising contribution from new waste management contracts that have become operational in Texas and Florida, which offset the negative effect of the Egyptian pound's 48.9% depreciation year-on-year.

Revenue Breakdown, by Region



EBITDA amounted to €425.8 million, a 2.9% reduction year-on-year, due broadly to sterling's depreciation (equivalent to €8.8 million) and to other lesser effects such as the baseline effect of a number of extraordinary items booked in 2016 (default interest and the Spanish tax on the retail sale of hydrocarbons) plus higher energy costs.

EBIT declined by 8.3% year-on-year to €203.4 million due to the aforementioned EBITDA performance and a number of extraordinary expenses, including notably €13.3 million for settling a claim in connection with the sale of industrial waste management assets in the US in 2014.

Backlog Breakdown, by Region *(M€)*

	Dec. 17	Dec. 16	Chg. (%)
Spain	6,129.9	6,663.9	-8.0%
International	4,156.0	4,487.8	-7.4%
Total	**10,285.9**	**11,151.7**	**-7.8%**

This area's backlog declined by 7.8% year-on-year to €10,285.9 million due broadly to delays in the award of certain contracts in Spain coupled with the negative impact of depreciation by the pound sterling and the US dollar. The total backlog amounts to close to 4 times revenues in the last twelve months.

2.1.7.1.2. Financial debt

(M€)

	Dec. 17	Dec. 16	Change (M€)
Without recourse	374.4	439.0	(64.6)

The area's net interest-bearing debt without recourse declined by €64.6 million in the year. Of that amount, €299.3 million relate to the UK, €53.8 million to Central Europe, and the remaining €21.3 million to two waste treatment and recycling plants in Spain.

2.1.7.2. End-to-End Water Management

The Water area accounted for 29.6% of FCC Group EBITDA in the year.Public concessions and end-to-end water management (capture, potabilisation, distribution and sanitation) account for 90% of total revenues, and Technology and Networks (water infrastructure design, engineering and equipment) account for the other 10%.

This area serves more than 13 million people in over 850 municipalities in Spain. In Central Europe, it serves 1.3 million users, mainly in the Czech Republic. It also has a strong presence in Italy and Portugal. FCC designs, equips and operates water treatment plants in Latin America, the Middle East and Africa. Overall, the Water division supplies water and/or sewage treatment services to over 23.6 million people.

2.1.7.2.1. Earnings

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Revenues	1,025.9	1,009.8	1.6%
Concessions and services	923.8	904.3	2.2%
Technology and networks	102.1	105.5	-3.2%
EBITDA	241.5	231.4	4.4%
EBITDA margin	*23.5%*	*22.9%*	*0.6 p.p.*
EBIT	153.2	144.1	6.3%
EBIT margin	*14.9%*	*14.3%*	*0.7 p.p.*

This area's revenues amounted to €1,025.9 million, a 1.6% increase on 2016, due to the increase in revenues from concessions and services in a range of markets, principally Spain. This effect was partly offset by a reduction in the technology and networks business in the international arena.

Revenue breakdown, by region *(M€)*

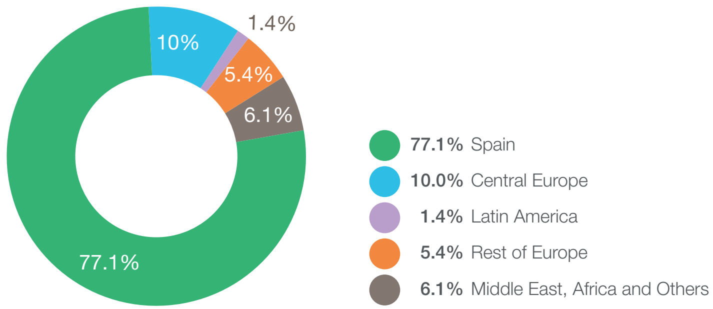
	Dec. 17	*Dec. 16*	*Chg. (%)*
Spain	790.9	764.8	3.4%
Central Europe	103.0	93.2	10.5%
Latin America	14.5	31.7	-54.3%
Rest of Europe (Portugal and Italy)	55.8	54.4	2.6%
Middle East, Africa and Others	61.7	65.7	-6.1%
Total	**1,025.9**	**1,009.8**	**1.6%**

Revenues in Spain increased by 3.4%, basically as a result of growth in the concession business, which achieved a higher volume of billing, and the contribution by new contracts.

On the international front, revenues declined in Latin America as a result of a slower pace of project execution since several technology and network contracts, basically in Chile and Uruguay, entered the final phase or were concluded. In this respect, a number of new contacts obtained in this region in 2017 should change this trend as they are implemented.

Revenues increased by 2.6% in Portugal and Italy, but shrank by 6.1% in the Middle East and Africa due broadly to the progressive completion of ancillary works on Riyadh Metro.

Revenue Breakdown, by Region



EBITDA increased by 4.4% year-on-year, to €241.5 million, favoured by the increase in the EBITDA margin to 23.5% (from 22.9%). That performance was driven fundamentally by the increase in the contribution by the concession business, whose margins are higher than those of technology and networks, and by the aforementioned increase in consumption, which increases profitability.

Backlog Breakdown, by Region

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Spain	8,274.9	8,753.0	-5.5%
International	6,516.7	6,202.9	5.1%
Total	**14,791.6**	**14,955.9**	**-1.1%**

The backlog declined by 1.1% with respect to 2016 year-end, to €14,791.6 million, as a result of a contraction of the domestic backlog (due broadly to a lower number of public tenders and renewals), which was offset to a great extent by growth in the international backlog. The area's backlog is close to 14 times the last year's revenues.

2.1.7.2.2. Financial debt

(M€)

	Dec. 17	Dec. 16	Change (M€)
Without recourse	1,383.8	246.2	1,137.6

Net interest-bearing debt, all of which is without recourse to the Group parent company, increased sharply with respect to 2016 year-end, to €1,383.8 million. This strong increase is due to the issuance on 8 June of two bonds by the area's parent company, at 5 and 10 years, for a combined €1,350 million, With these new funds raised in the market, all the area's funding is without recourse to the Group parent company and is free-standing. The bond issue also made it possible to adapt the long-term capital structure in line with the area's nature and cash flow.

In addition to those bonds, the area's net debt at the end of the year also included €189.4 million related to the business in the Czech Republic, and €60.5 million is connected to an end-to-end water concession in Spain (Aquajerez).

2.1.7.3. Construction

The Construction area contributed 8.6% of FCC Group EBITDA in 2017. It is mainly involved in the design and construction of large civil engineering projects and, to a lesser extent, landmark buildings and industrial works in certain geographies. In particular, it undertakes highly complex public works such as railways, tunnels and bridges, which account for the bulk of its activity.

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Revenues	1,681.5	1,652.6	1.7%
EBITDA	70.3	55.0	27.8%
EBITDA margin	*4.2%*	*3.3%*	*0.9 p.p.*
EBIT	84.8	(47.4)	N/A
EBIT margin	*5.0%*	*-2.9%*	*7.9 p.p.*

This area's revenues increased by 1.7% to €1,681.5 million due to improved business in the domestic market, while international revenues were in line with the previous year.

Revenue breakdown, by region

(M€)

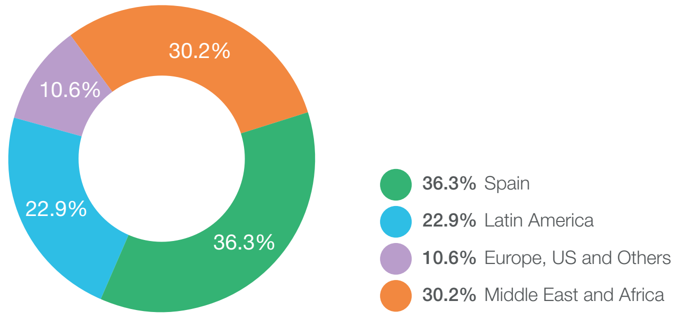
	Dic. 17	Dic. 16	Var. (%)
Spain	609.6	580.8	5.0%
Middle East and Africa	507.9	534.3	-4.9%
Latin America	384.8	295.5	30.2%
Europe, US, etc.	179.2	242.0	-26.0%
Total	**1,681.5**	**1,652.6**	**1.7%**

Revenues in Spain increased by 5% due broadly to greater progress with projects for private sector customers, which amply offset the persisting adverse situation of scant activity and low public investment in infrastructure.

Revenues in the Middle East and Africa fell by 4.9% due to a readjustment of the degree of progress with the Riyadh Metro project in Saudi Arabia. That decline was amply offset by 30.2% year-on-year growth in revenues in Latin America, attributable mainly to the larger contribution by Panama City Metro Line 2 and, to a lesser extent, by Lima Metro Line 2 (Peru).

Revenues in Europe, the US and other markets declined by 26% due to the smaller contribution from projects that have been completed or are nearing completion in the UK, Finland and the US, which were not fully offset by new projects in other markets, including notably the project to upgrade aircraft fuelling facilities at Dublin airport (Ireland) and railway projects obtained in Romania during 2017.

Revenue Breakdown, by Region



EBITDA amounted to €70.3 million, significantly higher than the €55 million registered in 2016, which included recognition of losses on certain international projects and of provisions for taxes. This substantial improvement was also supported by a sharp reduction in structural expenses achieved through the adjustments implemented the previous year.

EBIT amounted to €84.8 million in 2017, including €40 million profit on the sale of real estate subsidiary FCyC to the Group parent company in the first quarter, an internal transaction that has no impact on the FCC Group's consolidated results. The €47.4 million loss booked in 2016 included a €53.4 million provision to adjust production resources to the lower demand for infrastructure investment in Spain. But for those two effects, EBIT would have increased by €38.8 million year-on-year.

Backlog Breakdown, by Region *(M€)*

	Dec. 17	Dec. 16	Chg. (%)
Spain	998.2	1,038.7	-3.9%
International	3,301.7	3,443.6	-4.1%
Total	**4,299.9**	**4,482.3**	**-4.1%**

The area's backlog increased by 4.1% in the year, to €4,299.9 million. The backlog in Spain shrank by 3.9% due to persisting low government expenditure on infrastructure. The trend in the international area was similar, as the backlog declined by 4.1% year-on-year, while the company applied a more selective approach, focused on profitability, when seeking and implementing projects. Nevertheless, the backlog at year-end amounted to 2.5 times the previous year's revenues.

Backlog Breakdown, by Business Segment *(M€)*

	Dec. 17	Dec. 16	Chg. (%)
Civil engineering	3,366.7	3,467.2	-2.9%
Building	574.6	654.9	-12.3%
Industrial projects	358.7	360.2	-0.4%
Total	**4,299.9**	**4,482.3**	**-4.1%**

Civil engineering work accounts for 78.3% of the total backlog and building for 13.3% (a sharper decline with respect to last year because of the conclusion of certain landmark projects in Spain); industrial contracts account for the remaining 8.4%.

2.1.7.4. Cement

The Cement area accounted for 7.1% of FCC Group EBITDA in 2017, through Cementos Portland Valderrivas (CPV), in which the FCC Group parent company has a 99.04% effective stake. This area produces mainly cement; it has seven factories in Spain and one in Tunisia, as well as a 44.6% stake in Giant Cement, which has three cement factories on the Eastern Seaboard of the United States.

2.1.7.4.1. Results

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Revenues	340.4	536.2	-36.5%
Cement	*309.6*	*480.1*	*-35.5%*
Other	*30.8*	*56.1*	*-45.1%*
EBITDA	57.8	89.2	-35.2%
EBITDA margin	*17.0%*	*16.6%*	*0.3 p.p.*
EBIT	26.1	(120.4)	-121.7%
EBIT margin	*7.7%*	*-22.5%*	*30.1 p.p.*

This area's revenues declined by 36.5% year-on-year to €340.4 million, mainly as a result of deconsolidating the US subsidiary, Giant Cement, as of 1 November 2016 and, to a lesser extent, of the depreciation of the Tunisian dinar.

Revenue Breakdown, by Region *(M€)*

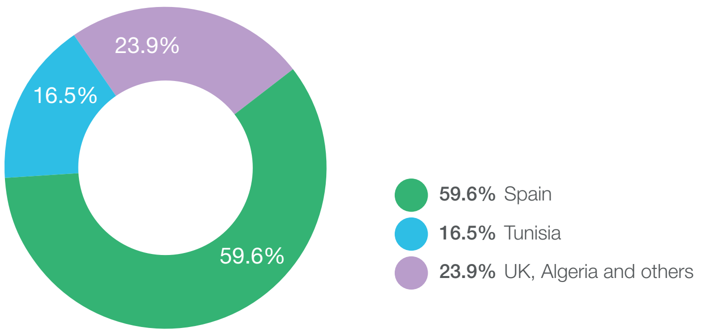
	Dec. 17	Dec. 16	Chg. (%)
Spain	202.9	185.5	9.4%
US and Canada	1.9	186.1	-99.0%
Tunisia	56.3	68.7	-18.0%
UK and others	79.3	95.9	-17.3%
Total	**340.4**	**536.2**	**-36.5%**

Revenues in Spain increased by 9.4% due to growth in demand volume and a slight improvement in selling prices, all driven by strong domestic demand for construction, which was concentrated in the private sector.

Revenues in Tunisia declined by 18% because of a combination of 12.8% year-on-year depreciation by the Tunisian dinar and a decline in volumes of both domestic sales and exports to Algeria.

Revenues from exports to the UK and other markets declined by 17.3% due to the sharp reduction in exports to certain countries in Africa. Hardly any revenues were recognised in the US or Canada in the period since the business in that region was deconsolidated in November 2016, as described in the preceding section.

Revenue Breakdown, by Region



EBITDA fell by 35.2% to €57.8 million, from €89.2 million the previous year. This difference is mainly due to the lack of a contribution from the US in 2017 and, to a lesser extent, to the aforementioned effects on revenues in Tunisia.

EBIT improved to €26.1 million despite lower EBITDA, contrasting with € 120.4 million in 2016. This change in performance is due to the €187.2 million impairment of goodwill recognised in 2016.

2.1.7.4.2. Financial debt

(M€)

	Dec. 17	Dec. 16	Change (M€)
Without recourse	475.6	511.4	(35.8)

The area's net interest-bearing debt, which is entirely without recourse to the FCC Group parent company, consists mainly of a €419.7 million syndicated loan. The €35.8 million decline with respect to 2016 year-end is attributable mainly to the repayment of €36 million of that funding in 2017.

2.2. Business performance Environment

The information relating to the FCC Group's Environmental Policy is described in greater detail in Note 29 to the consolidated financial statements.

The FCC Group's strategy is based on a commitment to social responsibility in relation to environmental services, complying with the applicable legal requirements, respect for its relationship with its stakeholders and its desire to generate wealth and social well-being.

At the FCC Group, the following principles, which form the basis of its contribution to sustainable development, are encouraged and stimulated throughout the organisation:

- 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.
- Controls 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.

- Care for the environment and innovation: To identify the risks and opportunities pertaining to the activities with respect to the changing natural environment in order to promote innovation and the use of new technology and generate synergies among the FCC Group's various activities.
- Life cycle of the products and services: To make environmental considerations a priority in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.
- Ensure the participation of all: To promote awareness and application of the environmental principles among employees and other stakeholders.

2.3. Business performance Employees

Following is a detail, by business area, of the FCC Group's headcount at the end of 2017:

AREAS	SPAIN	ABROAD	TOTAL	%s of Total	% Chg. 2016
Environment	31,375	8,864	40,239	70%	1.95%
Water Management	6,100	1,777	7,877	14%	–0.94%
Construction	3,418	4.488	7,906	14%	39.41%
Cement	763	316	1,079	2%	–1.28%
Central Services and Other	303	1	304	1%	7.42%
TOTAL	**41,959**	**15,446**	**57,405**	**100%**	**5.39%**

3 Liquidity and capital resources

Liquidity

To optimise its financial position, the FCC Group maintains a proactive liquidity risk management policy by monitoring cash and its projections on a daily basis.

The FCC Group meets its liquidity requirements through the cash flows generated by the businesses and through the financial agreements reached.

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 20 to the consolidated financial statements).

Note 30 of the consolidated report explains the policy implemented by the FCC Group to manage its liquidity risk and associated mitigating factors.

Capital resources

The Group manages its capital to ensure that the Group companies 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 more than 50 Spanish and international financial institutions.

In 2014 the Group completed a EUR 4.528b global financing process and in recent years it has reached various limited recourse debt refinancing agreements (see Note 20 to the consolidated financial statements). At the end of 2014 a capital increase of almost EUR 1,000,000 thousand was effected, with another on 4 March 2016 for EUR 709,519 thousand, both allocated to strengthening the Company's capital structure.

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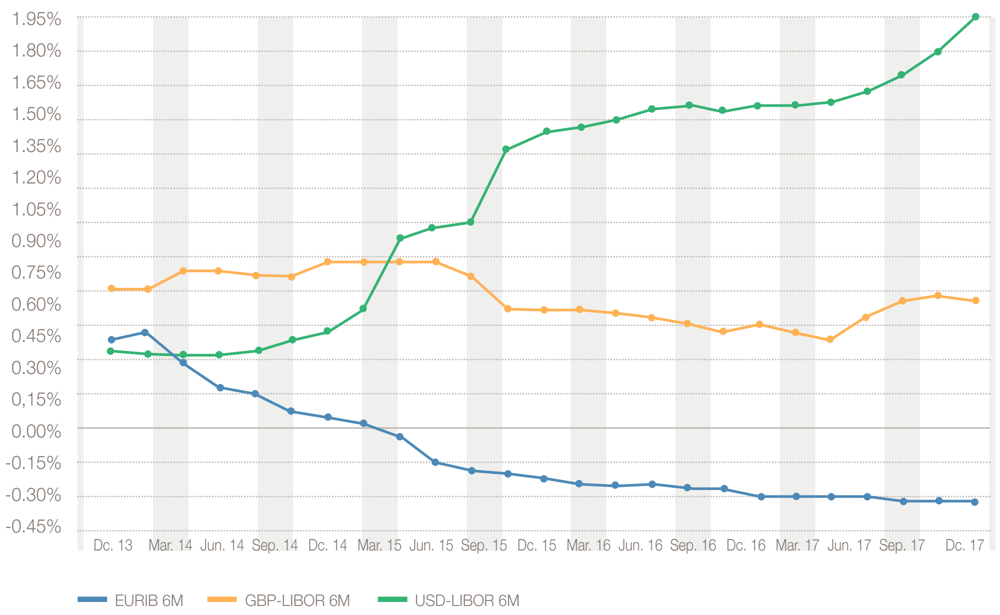
In order to optimise the cost of capital resources, the FCC Group maintains an active interest rate risk management policy that includes ongoing monitoring of the market and assumes various positions based mainly on the financed asset.

How interest rates have evolved in recent years is shown below.



This section is discussed in further detail in Note 30 to the consolidated financial statements.

4 Main risks and uncertainties

4.1. Risk-Management System and Policy

The FCC Group has a risk-management policy and system approved by the Board of Directors, designed to identify and assess potential risks that could affect business and build mechanisms into the organisation's processes to enable risks to be managed within acceptable levels, giving the FCC Board of Directors and management a reasonable degree of assurance that targets can be met. Its scope of application established under the risk-management policy and system of the FCC Group covers all the member companies, as well as affiliates in which FCC has effective control and companies newly taken over as soon as the acquisition is effective.

It also covers employees of the FCC Group who are attached to consortia, JVs and mixed companies.

Risk management at FCC is governed, among other principles, by integrating the risk/opportunity vision and allocating responsibilities, which, together with segregating duties, facilitates effective monitoring and control of risks, consolidating an appropriate control environment.

The risk scenarios considered have been classified into four groups: Strategic risks, operational risks, compliance risks, financial risks and reporting risks.

The activities that fall within the scope of the FCC Group's risk-management system include risk assessment in terms of impact and likelihood of occurring, resulting in risk maps by unit or role and a risk consolidated risk map for the group as a whole, subsequently devising prevention and control actions to mitigate the effect of the risks identified. The system also establishes reporting flows and communication mechanisms at different levels to facilitate continuous review and improvement.

Details of the risk-management duties and responsibilities at the different levels of the organisation are provided in section E, on risk-control and management systems, of the Annual Corporate Governance Report.

4.2. Main risks and uncertainties

The FCC operates in a number of sectors worldwide. This means that its business is subject to diverse socioeconomic environments and regulatory frameworks, as well as different risks inherent to its operations and risks stemming from the complexity of the projects it is involved in, which could affect how its goals are accomplished.

Details of the main strategic, operational and compliance risks that could affect the Group's business and a description of the systems used to manage and monitor them are contained in section E of the Annual Corporate Governance Report.

With regard to financial risks, considered as variations in the financial instruments taken out by the FCC Group because of political, market-related and other factors, and their impact 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. The financial risks to which the Group is exposed are discussed in greater depth in note 30 of the consolidated financial statements and in section E of the Annual Corporate Governance Report.

The FCC Group is also subject to certain risks related to environmental and social issues, the management of which is explained in more detail in sections 8 and 9 of this Directors' Report.

5 Acquisition and disposal of treasury shares

On 31 December 2017 the FCC Group directly or indirectly held a total of 230,100 treasury shares, representing only 0.06% of the share capital.

The operations to acquire and dispose of treasury shares during the period are itemised in Note 18 of the consolidated Report.

6 Significant events after the reporting period

On 17 November 2017 the companies FCC Aqualia and MIT Infrastructure Europe Ltd publicly certified an agreement entered into on that date under which the former acquired from the second 49% of the share capital held in the companies Aqualia Czech S.L. and Aqualia Infraestructuras Inzenyring s.r.o. for a price of €83,435,000 and €9,065,000, respectively.

On 9 January 2018, both these sums were paid up following receipt of the Protection of Competition authorities' authorisation for the share transfer to proceed.

On 20 February 2017 the Group reported that following the receipt of a bid by the investment fund IFM Global Infrastructure Fund ("IFM") to purchase a minority stake in the company FCC Aqualia S.A., exclusive negotiations between FCC and IFM are at advanced stages regarding the acquisition by IFM of a 49% stake in FCC Aqualia S.A.

7 Company outlook

Set forth below are the prospects for 2018 for the main business areas composing the FCC Group.

The countries where the **Environmental Services**, division operates are undergoing a process of profound transformation, owing to the environmental requirements of national governments, driven by EU directives and being subject to a consolidation process, with an increase in concentration and the arrival of new competitors.

In the UK economic activity is expected to slow down in 2018, owing to cuts to public authorities' budgets.

As for central and eastern Europe, moderate growth in central Europe, with risks of greater intervention and municipalisation of services in certain eastern European countries, such as Hungary.

With regard to opportunities in the US market, a large number of tender processes for urban-waste services will be launched in the coming years.

In Portugal there are major business opportunities related to decontamination actions on environmental liabilities.

In the area of **End-to-end water management**, certain concession contracts in Spain are set to come to an end in 2018, with similar renewal rates to those in 2017 expected, i.e. close to 100%, with a more active market this year offering better contracting opportunities. Also coming to an end are several major contracts operated by other firms in the sector: Lugo, San Cugat del Vallés (Barcelona), Manises (Valencia), Requena (Valencia), Santiago de Compostela (La Coruña), Fuengirola (Málaga), Orense, and Zamora.

Central and regional governments are not currently calling for tenders for major water-infrastructure concessions, mainly because of the tax-consolidation and debt-reduction process that the authorities are continuing to apply, thus increasing the shortfall in infrastructure renewal and growth. As an example, in the wastewater-treatment area, the average proportion of water in Europe that is treated with tertiary treatments (thereby enabling it to be subsequently reused) stands at 67%, while in Spain – the European country with the greatest water stress, because if its climatic and hydrological characteristics — it is only 60%. In 2018 the "Castile–La Mancha Water Treatment Programme (PLAN DEPURACLM 100%)" is set to be called for tender, with 10 lots for the building or refurbishment of 556 WWTPs. The main object is the design and build, financing and operation of the works for a period of 25 years. The estimated value of these contracts is €1.742 billion. Other Spanish regional governments (e.g., Andalusia and Extremadura) are expected to undertake similar initiatives.

With the formation of the new government in the final quarter of 2016 a number of legislative initiatives and the transposition of EU directives have been resumed. However, no progress has been made with the setting-up of a state regulator, despite the considerable demand from all the stakeholders involved.

The Public-Sector Contracts Act will come into force in early 2018. Its effects on the sector will mostly be related to the solvency to be required from tenderers, adaptations to concession terms, reviews of the cause of claims for financial imbalance in concessions, and regulation of the review system for tariffs in contracts. Also, application of the Regulations of the De-Indexing Act has gradually been implemented across all public authorities, with little effect on the fixing of remuneration-review mechanisms.

In the international market:

- In Mexico, the experience gained with various contracts is being put to good use by planning for similar projects, where more demanding technical and financial capacities have made FCC Aqualia a benchmark.
- In Colombia, development has begun on the El Salitre WWTP in Bogota and the San Silvestre WWTP in Barrancabermeja. The company is following up business opportunities to manage integrated services in major towns in the country under municipal concession models, and for the design, build and financing of infrastructure for wastewater treatment and new sources for drinking-water supplies in areas where these are needed.

- In Peru, the national government is currently assessing the efficiency of its utilities with a view to shifting to private initiatives for those presenting the worst management indicators. In 2017 five private wastewater-treatment initiatives were presented for the Trujillo, Cajamarca, Cusco, Chincha and Cañete districts, pending official declaration of interest in 2018. New business opportunities will arise promoted by PROINVERSION, which stimulates investment in the country, and outsourcing projects by SEDAPAL, Lima's municipal water utility.
- In Chile, the mining sector continues to offer some interesting business opportunities for the production of desalinated water for mines. Aqualia works with long-established clients in this sector to extend and refurbish their facilities. Business opportunities are also expected related to rotating assets at some of their utilities.
- In Panama, the national government is developing an ambitious water-infrastructure project in which Aqualia is playing an active role. One example is the recent award of the engineering design, build and operation for 10 years of Arraiján WWTP, which will treat water for a population of 130,000. The company has also submitted a bid for support and consulting on operational and commercial management for IDAAN, the country's water-management body. The contract was won in February 2017.
- In Portugal, the concessions business is expected to be reactivated after the local elections in the last quarter of 2017, spurred by the budget deficit suffered by local authorities and the need to invest in infrastructure.
- In the Czech Republic in 2017, the regulatory framework cancelled the tariff incentives that had been applied to investment by asset owners. This tariff component was recovered for 2018 and will bring with it an improvement in the EBITDA that will be used to increase investment. Tender processes are expected for the private-management contracts for water and sanitation in major urban areas in northern Bohemia and the southern Czech Republic, and new leasing contracts without including investment by the operator are also likely. The year's most significant event, however, has been the buy-back from Mitsui of its stake in SmVak and Aqualia Engineering.
- In North Africa, seawater desalination and wastewater purification constitute business opportunities in the countries in which Aqualia already has a presence, as is the case in Algeria, Tunisia and Egypt. In Algeria this year a major agreement has been closed with the client for the Mostaganem desalinisation plant, Sonatrach, to build a new capture facility to enable the plant's production capacity to be increased. These works will begin during the first quarter of 2018, lasting two years. Two O&M agreements have also been closed for the Mostaganem and Cap Djinet plants, regularising items not billed to the client since the beginning of operations and enabling the profitability of both projects to be increased. With regard to new opportunities, the government has announced new desalinisation projects in several coastal cities that will be developed in 2018.
- In Egypt, Aqualia has made significant progress in its execution of the contract for the design, build and operation of El Alamein desalinisation plant, with a capacity of 150,000 m^3/day under conditions that guarantee completion regardless of the economic instability that the country is suffering. Egypt's tax and trade deficit, high interest and inflation rates and limitations accessing strong foreign currency forced the Egyptian government to apply economic measures such as public-spending cuts and free flotation of the Egyptian pound. In 2017 the country has been more stable and market conditions have improved.
- Thus, the project to build, finance and operate the Abu Rawash treatment plant, which was awarded to a consortium including Aqualia via its subsidiary in partnership with the EBRD, has been turned into an EPC (engineering, procurement, construction) project, with an increased scope to be completed but financed against state funds. Owing to the limited availability of water in Egypt, the defence ministry is expected to call for tender several new large desalinisation plants to supply the population in the Mediterranean and Red Sea regions. Also, the extension of the Suez Canal and creation of new industrial and mining areas suggest that the demand for water for their development will continue to increase.
- In Tunisia, the Djerba practically has practically been completed this year. With a capacity of 50,000 m^3/day, it will assure the water supply for the island's population and further development of tourism. Also in 2018, SONEDE plans to call for tenders for new seawater-desalinisation plants for the towns of Zarat and Sfax. Projects will also be launched by ONAS for several WWTP refurbishment and O&M projects.

- In the Middle East, where population growth is reaching up to 8% per year in some countries, the serious reduction in earnings from oil is forcing nations in the Gulf to withdraw subsidies and use private initiatives to develop their water-infrastructure projects.
- In Saudi Arabia, progress has been made on the Riyadh Metro affected-services contract, where Aqualia has completed work on line 4 and is still working on lines 5 and 6, which will continue into 2018. With regard to new projects, the Saudi government has commissioned WEC (Water & Electricity Company) with the execution of an ambitious plan to build water infrastructure to include both the production of desalinated water for water supplies and wastewater treatment. These include the projects for Rabigh 3 (with a capacity of 600,000 m^3/d), Shuqaiq 3 (380,000 m^3/d) and Yanbu (450,000 m^3/d) in the desalinisation sector; and Damman and Jeddah (330,000 and 500,000 m^3/d, respectively) in treatment. The NWC (National Water Company), which manages the distribution of drinking water for major cities, will complete some of the concession projects that is has been designing for several years. These include renewal of the O&M contract for the Haddah and Arana plants, each with a capacity of 250,000 m^3/d, and extension of the treatment capacity at the Arana plant, completed in late 2017.
- Oman is also continuing to develop its desalinisation plan through public–private initiatives. In 2017 Aqualia has entered the country by winning the contract for management of the end-to-end water cycle in the Sohar port area, for a 20-year period, in partnership with the Omani public concessionaire company Majis.
- In the UAE tender processes are expected to be called for O&M contracts and the construction of desalinisation plants, most notably the BOT contract for Umm al Quwain desalinisation plant.
- In Qatar, even though the political and trade blockade by Saudi Arabia and the UAE has caused a slow-down in investment projects, in 2018 operations are expected to begin at Al Dhakhira WWTP, with a capacity of 55,000 m^3/d, where Aqualia won the O&M contract for the next 10 years.

In the **Construction**, area, although the Spanish economy has begun to show signs of recovery, this improvement is not expected to give rise to any significant growth in the amount of public contracting, which continues to present levels that are far below those recorded before the 2008–2013 economic crisis. Given this situation of less public tendering in the Spanish market, FCC tends to look towards diverse international markets.

One objective of the Group in 2018 will be to seek contracts, mainly through the international market, by means of demanding risk management to give access to a selective portfolio of projects with assured profitability, higher profits and better cash generation.

Taking into account the foregoing, it is estimated that revenue in Spain in 2018 will remain similar with respect to 2017, due mainly to budgetary restrictions in the public sector.

Revenue from abroad in 2018 is expected to be similar to that earned in 2017, with the performance of large infrastructure construction projects obtained over the 2015-2017 period and the contribution made by the markets in the Americas (Central America, Chile, Peru, Colombia and the US), the Middle East (Saudi Arabia and Qatar) and Europe (the UK and Romania).

In the Cement Area, in 2017 the recovery of the Spanish economy has continued, thanks to increasing domestic demand, with expected GDP growth of 3.1%, a 31.6% increase in the number of public tender processes compared with last year (according to SEOPAN, the Association of Infrastructure Construction and Concessionaire Firms), and a 7.8% drop in the unemployment rate. This improvement in the Spanish economy can be seen in cement consumption, the demand for which has grown by 10% according to estimates in January 2018 by the sector's employers' association Oficemen.

Business in the construction sector in 2017 has been characterised by a continuing process of recovery in building and a slowing-down in the decline in public investment. The socio-political situation in 2016 meant that public-investment figures to fell back significantly.

According to Oficemen's 2017 year-end estimate, apparent cement consumption during the year rose by 10%, to 12.3 M tonnes, although this has been offset by a 10% fall in exports, to 8.9 M tonnes.

The IMF and Bank of Spain have both forecast 2.4% growth for Spain in 2018, as well as an increase in public investment and positive growth for building. In line with these trends, Oficemen expects, according to its estimate made in January 2018, growth in cement consumption of around 12%, to reach 13.7 M tonnes.

In Tunisia in 2017, the domestic market remained steady at around 7.2 M tonnes, with a 0.5% fall in sales compared with 2016. Exports to Algeria and Libya were also frozen during the year.

In this context, the Cementos Portland Valderrivas Group will continue to implement its policies to contain expenditure and optimise investment and adapt all organisational structures to the reality of the various markets in which it operates, in order to improve cash flow generation.

8 Social and human-resources policies

8.1 Framework of integrity and respect for human rights

Due diligence at FCC

Respect for people's dignity and human rights is a key factor in how the FCC Group behaves. Guidelines for the behaviour of FCC professionals' actions and conduct in ethical, social and environmental matters are contained in the current Code of Ethics.

In particular, the FCC Group totally rejects child labour, slave labour and labour under unacceptable, extreme, subhuman or degrading conditions, being committed to respecting freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples wherever the group operates.

Finally, it is noteworthy that following approval of the 2020 CSR Plan, FCC seeks to strengthen respect for human rights, undertaking to carry out a diagnosis of the impact of its business on human rights in all societies and communicates where the group operates.

Control mechanisms: the Ethics Channel and Harassment Protocol

FCC has a Crime Prevention and Response Manual, which includes a control system, structured into different stages and responsibilities, with a view to reducing and hindering any potential crimes committed in the company's name. In this regard, FCC makes available to all the group's employees an in-house communication channel for reporting possible breaches of the Code of Ethics. For this purpose, employees are given an email address to contact (comitederespuesta@fcc.es) and a postal address to write to, for the attention of the chair of the Response Committee.

The Group also has a protocol for preventing situations of mobbing and sexual harassment to prevent, avoid, resolve and sanction any such cases. The protocol includes a list of behavioural guidelines that must be followed in order to assure dignity, safety and equal treatment and opportunities for everybody. An online mailbox and reporting form have also been set up for such reports to be handled in confidence.

In 2017 the FCC Response Committee received a total of 19 complaints via its reporting channels, mostly related to issues of respect between persons.

Ethics Channel

The group's website also features the Ethics Channel, which is a tool to enable any potentially irregular or even criminal activities or behaviour infringing the protocol for mobbing, sexual harassment and gender discrimination to be reported in confidence.

8.2. The FCC Group's employees

The tables below show all the group's employees at the end of 2017, broken down by sex, professional category and geographical area.

Professional category		2017	2016
Men	Managers and university graduates	1,305	1,387
	Technicians and diploma holders	5,552	3,296
	Clerical and similar staff	1,041	1,464
	Other salaried employees	37,072	36,380
Total		**44,970**	**42,527**
Women	Managers and University Graduates	318	361
	Technicians and Diploma Holders	1,227	1,247
	Clerical and Similar staff	1,858	1,739
	Other Salaried Employees	9,032	8,593
Total		**12,435**	**11,940**
Total workforce		**57,405**	**54,467**

Geographical region		2017	2016
Men	Spain	31,793	31,655
	Rest of EU	6,763	6,652
	US and Canada	186	370
	Latin America	1,717	1,207
	Rest of the World	4,511	2,643
Total		**44.970**	**42.527**
Women	Spain	10,166	9,847
	Rest of EU	1,735	1,729
	US and Canada	21	13
	Latin America	171	171
	Rest of the World	342	180
Total		**12,435**	**11,940**
Total workforce		**57,405**	**54,467**

The voluntary rotation rate of the group's employees is below 4%. Their geographical distribution is as follows:

Geographical Area	2017	2016
Spain	2.95%	2.42%
Rest of EU	9.68%	8.48%
US and Canada	18.36%	10.18%
Latin America	2.07%	4.35%
Rest of the World	2.84%	6.62%
Total group	**3.96%**	**3.68%**

The group's employees can be broken down into the following age groups:

	2017	2016
< 19 years	54	35
19–24 years	1,675	1,232
19–24 years	3,358	2,859
30–34 years	5,133	4,921
34–39 years	7,344	7.286
40–44 years	8,959	8.719
45–49 years	9,336	9,088
50–54 years	9,449	9,178
55–59 years	7,586	6,989
60–65 years	4,328	3,973
> 65 years	183	187
Total workforce	**57,405**	**54,467**

The group's workforce broken down by business area and type of employment contract is as follows:

	Indefinite		Temporary		Contract assignment	
	2017	2016	2017	2016	2017	2016
Construction	2,319	2,195	4,403	2,261	1,184	1,215
Water	2,482	1,333	556	586	4,839	6,033
Environmental Services	1,600	1,925	1,412	1,761	37,227	35,782
Cement	1,062	1,087	17	5		1
Central Services	291	270	13	13		
Total Plantilla	**7,754**	**6,810**	**6,401**	**4,626**	**43,250**	**43,031**

Personnel attached to works or services (contracts) can be considered as having "stable jobs", since most of them are subject to compulsory subrogation.

8.3. Human-resources policy

At the FCC Group we seek simple structures (organisations with the fewest possible hierarchical levels), with primacy given to austerity, flexibility and speedy decision-making.

Behind every major FCC project is team of people capable of bringing it to a successful conclusion. This is why the goal of FCC's human-resources policy is excellence in performance and a commitment to our employees, fostering a healthy, discrimination-free environment to attract and encourage talent with a long-term vision.

Recruitment

FCC concentrates its efforts on creating the right environment to attract, motivate, develop and hold on to the best professionals.

Although the most frequently used recruitment sources are internal, FCC also turns to external sources, including LinkedIn, Infojobs, job-centre websites, universities and professional associations, which can offer a large number of potential candidates and enhance FCC's visibility as an employer.

Finally, we must also mention the in-house mobility programmes that FCC offers its professionals, giving them new opportunities to develop their careers by moving between business areas and countries, enhancing informal networking, transversal communication, greater synergies and the transfer of knowledge between businesses. In 2017 a total of 68 jobs were offered for in-house mobility within the FCC Group, with 182 employees involved in the corresponding recruitment processes. Finally, 38 vacancies at FCC were covered by means of this tool for developing and encouraging in-house talent.

Training

The FCC Group has organised a total of 467,021 hours of training for a total of 45,772 participants. The percentage of hours of training per business area is as follows:

	2017	2016
Construction	11.3%	19.3%
Water	13.6%	15.5%
Environmental Services	72.1%	62.0%
Cement	2.6%	3.1%
Central Services	0.4%	0.1%

This training was given in 80.1% of cases to men (75.3% in 2016) and in 19.9% to women (24.7% in 2016).

Interns

FCC has partnership agreements in place with Spain's leading universities to contribute, from inside our business, to students' training and acquisition of job experience, while providing them with financial assistance during their internships and an assessment by their tutor at the end of the experience. The essential purpose of internships is to allow students to apply in a practical context the knowledge that they have acquired at university.

Our interns are university undergraduates, graduates and postgraduates as well as vocational-training students wishing to complete their training at a firm with global reach like FCC.

Special programmes

The group's Construction Area has launched its International Programme for Young Talent. The aim of this programme is to strengthen the development of recent graduates to ensure that positions on the company's international projects are covered optimally. The programme, which lasts 12 months, is divided into two stages: (i) theoretical corporate training on the organisation's different areas, and (ii) practical training on various domestic and international projects, with the supervision and support of a tutor, who, besides helping them, assesses their performance. At the end of the programme they are assigned to a job abroad.

Also worthy of note are several training initiatives to foster a better gender balance in management positions.

- FCC has been involved in the development programme for women with high potential of the Industrial Organisation School (EOI) since 2011. This integrated programme is designed to equip the participants with management skills, based on a multidisciplinary approach. In 2017, seven women from different business areas received this training.
- The company has taken part in four editions of the "Promociona project", which specialises in preparing women to opt for senior management and board positions. The latest edition was run in 2017. The Promociona project is coordinated and co-funded by the CEOE, in partnership with the Ministry of Health, Social Services and Equality, and ESADE. In 2017 three of FCC's female executives took part in the project, with three other employees in mentoring roles.

Avanza Awards

This initiative was launched in 2017 to recognise the hard work and efforts by the organisation's personnel, who day by day make the company more competitive, improve our social integration and enhance the quality of our processes, environmental performance and the development and application of innovative solutions and practices. The awards are divided into four: categories Innovation, QA, CSR and Environment.

8.4. Industrial relations

Policy

FCC applies a policy of social liaison and interlocution with its workers, their legal representatives, trade unions and other social actors to foster agreements through collective bargaining and other collective processes, with transparency, setting up steering committees and providing employees and their representatives with all the necessary information. This openness to dialogue has also been reflected in a reduction in the number of disputes.

The Industrial Relations section handles collective procedures, collective bargaining and social liaison (the principal tool for identifying stakeholders' needs and sensitivities among stakeholders), and defining general criteria for action, monitoring and coordinating equality- and disability-management plans and efforts.

Collective bargaining

All FCC personnel in Spain are covered by a collective-bargaining agreement, regardless of the areas in which they work. In the Environmental Services and Water areas, besides the corresponding sector agreements, company and workplace agreements are also in place. The company directly negotiates, on its own behalf, a great many collective-bargaining agreements with the workers representatives at its subsidiaries and workplaces.

In 2017 the Environmental Services and Water areas sat on numerous negotiation boards regarding collective-bargaining agreements for contracts and workplaces, as well as collective-bargaining agreements for specific activities, on a provincial and national scale. In all, the company was involved in more than a hundred collective-bargaining processes, almost of them in Spain.

In the Construction and Cement areas, collective bargaining is mostly channelled through nationwide and provincial sector agreements, also participating through various business associations in negotiations regarding sector agreements related to FCC's different business areas and activities. In 2017 the sixth General Collective-Bargaining Agreement for the Construction Sector was signed.

Contentious industrial-relations procedures

In 2017 a total of 1,467 employment-related legal cases have been processed, mostly related to claims for money and social-security issues. Other common cases are those following employment inspections, dismissals and sanctions.

8.5. Equality and diversity within the FCC Group

Equal opportunities

At FCC the principle of equal opportunities is an unbreakable commitment to action, and the group's responsibilities in this area are clearly set out in the Code of Ethics. The undertakings made by FCC include the following:

- FCC has adhered to the principles of the UN Global Compact, which help employers to examine their policies and practices for the empowerment of women.
- FCC's main divisions, including Environmental Services, Construction and Aqualia, have signed an agreement with the Ministry of Health, Social Services and Equality to increase women's presence in management positions.

Equality plans

At FCC, women account for 22% of the company's total workforce global, many of them managers, and the group is firmly committed to steadily increasing the number of women in positions of responsibility. In 2017 four of the members of the FCC Group's Board of Directors were women, with three more women sitting on the Cements board (26.7% and 33.3%, respectively).

The equality plans at FCC's various companies develop the firm's commitment towards equal opportunities with specific measures adapted to their own businesses and the characteristics of the sectors where they operate. These plans are backed by the relevant monitoring bodies, with equal representation from employers and trade unions, which foster the development and integration of the various topics and measures that the plans contain.

Thanks to the application of equality and diversity policies at FCC, four group divisions (Environmental Services, Construction, Industrial and Aqualia) have earned the "Equality at Work" seal of excellence, awarded by the Spanish Ministry of Health, Social Services and Equal Opportunities in recognition of firms that have developed equal-opportunities policies in the workplace.

The book Mujeres en Primera Persona ("Women in First Person"), published by Aqualia in 2017, tells the experiences of more than 60 women — Aqualia employees working in different districts and public-sector representatives — in the day-to-day management of the end-to-end water cycle and from their positions in local authorities.

Finally, Aqualia has also been working in 2017 to provide people with a working environment that is compatible with their personal and family lives. The company has been awarded the Responsible Family Firm certificate by the Masfamilia Foundation.

Commitment to combat domestic violence

FCC continues to maintain its public commitment against domestic violence, based on two fundamental principles: zero tolerance and support for victim's social and professional integration. The company works in partnership with the network of "Companies for a Domestic-Violence-Free Society" to support, foster and build awareness of access to the labour market for victims.

FCC also works with several foundations and other entities to foster access and integration to the labour market for women who are victims of domestic violence, including the Integra Foundation and the Spanish Red Cross's Employment Plan.

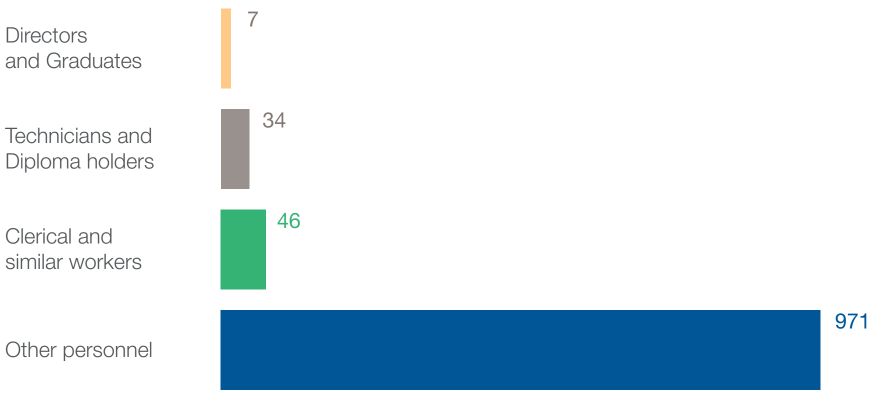
In 2017, at the Integra Foundation's annual meeting, Environmental Services' efforts were recognised at the Integra Foundation's annual meeting, having employed 200 people in situations of exclusion. The award was presented by the Minister of Employment and Social Security.

Finally, on 25 November every year the FCC Group calls up the company's employees to remember its principles and report on its commitment and vision: zero tolerance for domestic violence and fostering social and professional integration for women who are its victims. In 2017, FCC employees formed a hear shape at the corporate head offices in Las Tablas, Madrid, to show their solidarity with combating this social scourge, as part of the activities organised to commemorate the day, under the slogan "I'm With You".

Integrating people with disabilities

FCC is firmly committed to integrating people with disabilities into the labour market as a key factor in social integration and personal development. The number of employees with disabilities of 33% or higher in 2017 was as follows.

Persons with disabilities at FCC



One of the most striking projects in the area of job integration for people with disabilities is FCC EQUAL CEE, driven by the Environmental Services area. FCC EQUAL is a special employment centre where 30 people with severe disabilities now work. The aim is not only to provide job opportunities for people with disabilities but also to provide them with skills, abilities and competencies for their career development within the company. In 2017 the centre was extended to the Valencia Region.

The Group also works actively with specialist organisations who advise on recruiting and supporting career opportunities for people with disabilities at FCC. Their advice facilitates understanding of the right profiles for each job and simplifies the company's standardised integration process. The main organisations that the firm is partnered with are:

- **ONCE Foundation** (Inserta Programme): FCC supports various projects and fosters social and labour inclusion through workshops, training courses and other actions, as well as awareness-building campaigns. The company is also involved in programmes to strengthen integration with functional diversity and improve the quality of life of people with disabilities.

  An example of this is the partnership agreement with ONCE signed on 13 March 2017 to foster job insertion for people with disabilities. Over three years 125 people will be employed, to join the 294 already recruited under the previous partnership agreement (2014–2017).

- **Adecco Foundation** (Family Plan): This plan consists of an action programme to increase the independence, integration and subsequent access to the labour market for relatives with disabilities.

- **Prevent Foundation** ("Aprende y Emprende" programme): Once again this year, FCC has been involved in Madrid and Barcelona in a training and mentoring programme, in partnership with the ESADE business school, to equip entrepreneurs with disabilities with the necessary knowledge and preparation. Under this programme the students acquire the knowledge they need to launch their business plans, bringing their entrepreneurial initiatives to fruition and turning them into professional experiences. Besides sponsoring the programme, the company participates in workshops and teaching.

8.6. OHS

Preventive management: Organisation, liaison with workers' representatives, and policy

FCC gives priority to occupational health and safety (OHS), establishing an organisational model for preventive management and setting up its own shared OHS service within each of its areas of business to cover all four OHS specialist areas: safety at work, industrial hygiene, applied psycho-sociological ergonomics and health monitoring. Health-monitoring activities are covered by FCC's medical services in the provinces where they are present, arranging medical check-ups through an outsourced OHS service elsewhere.

To enable employees to participate, OHS committees have been set up, the largest of which, at FCC S.A. and FCC Construcción S.A., are based at the corporate head offices at Las Tablas and Federico Salmón (Madrid) and Balmes (Barcelona). These OHS committees, which meet quarterly, are the bodies for OHS-related participation, analysis and decision-making at those workplaces.

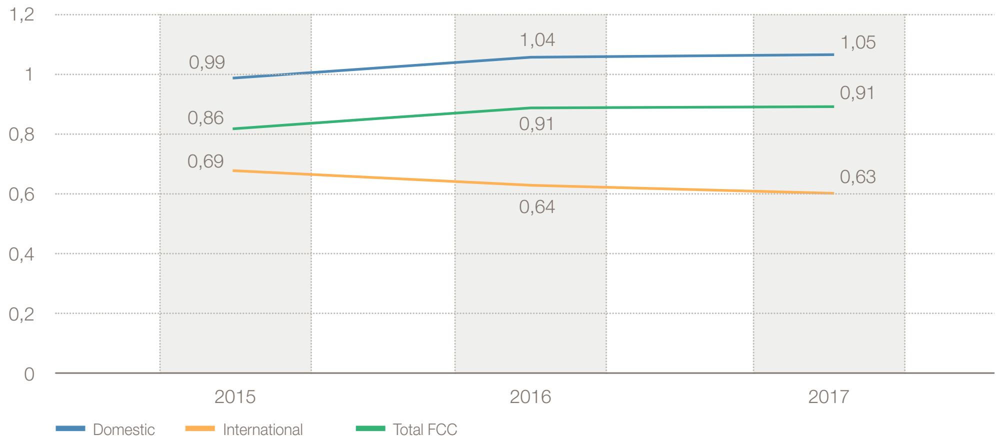
Accident rates

Compared with the previous year, in absolute terms the accident rate in 2017 presented 86 fewer cases of sick leave. In relative terms, the frequency index (number of cases of sick leave for work-related accidents per 106 hours worked) fell by 4.25 % to 26.15.

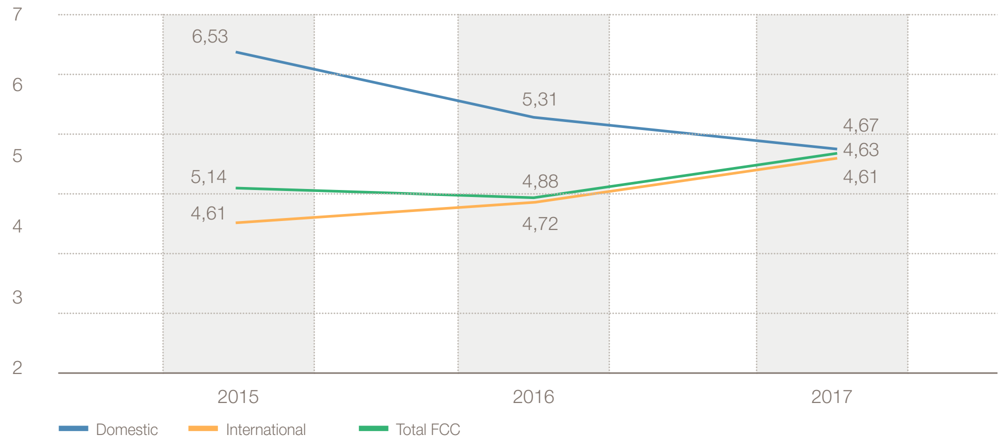
Over the last year how investigation processes for serious and fatal accidents are handled and monitored has been strengthened both technically and legally. In absolute terms, the number of accidents with serious consequences in 2017 has fallen by more than 50% compared with the year before. This improvement is particularly significant in Environmental Services.

Details of the accidents that occurred, their evolution and their frequency index are given below.

Evolution of Seriousness Index 2015–2017

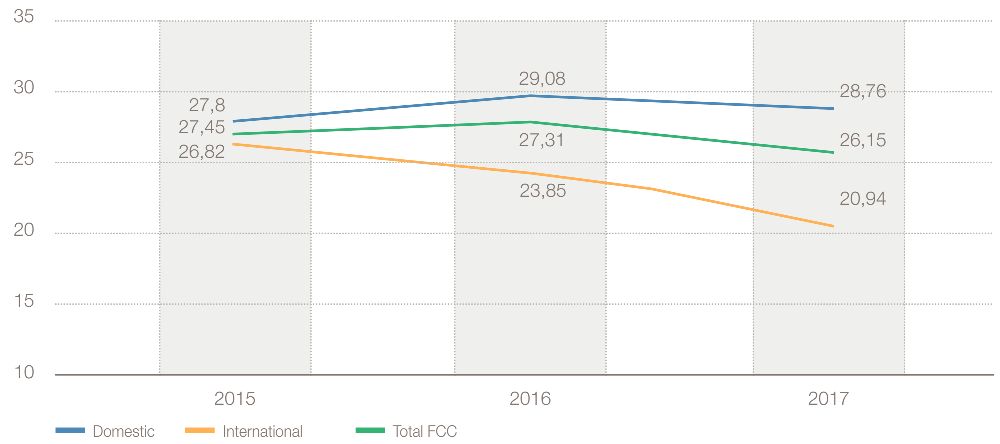


Evolution of Incidence Index 2015–2017



Frequency index: Number of accidents with sick leave per million hours worked.
Seriousness index: Number of working days lost because of accidents per 1,000 hours worked.
Incidence index Number of accidents with sick leave per 100 workers.

Evolution of Frequency Index 2015–2017



A healthy company

In recent years management procedures and processes have been put in place based on recognised healthy-company management models, such as those of AENOR, based on the WHO model. The initiatives undertaken in this field include the following:

- In the Environmental Services area, in 2017 audits have been developed for healthy-company certification at the nine offices still pending, such that by early 2018 all 17 of the area's offices will have been certified by AENOR.
- Major actions to foster health have included working on the development and updating of FCC's OHS site, which makes available to employees content and resources related to the company's OHS activities and healthy eating habits, encouraging physical exercise and health recommendations.
- In late 2017 all the business areas were involved in design and preliminary tasks to address the assessment of psychosocial factors at FCC's main offices.

Also this year, actions have been undertaken related to workers' social and emotional welfare. These have included, for example mindfulness training in the Corporate and Construction areas. So far five mindfulness workshops (each with two sessions) have been organised, with 104 participants.

Finally, FCC has participated successfully in the eHealth Challenge. These inter-company Olympics involved 1,247 teams from 37 firms. More than 450 people from all FCC's areas of business took part, earning top rankings at both company and individual levels.

The "Water People Ávila" from Aqualia won the overall running category in the healthy-companies challenge, clocking up a total of 1666.82 kilometres. The four weeks of competition served to measure the energy that each firm generates through its employees' sporting activities. One third of the funds raised by this initiative will go to health-development projects organised by the Red Cross in Spain.

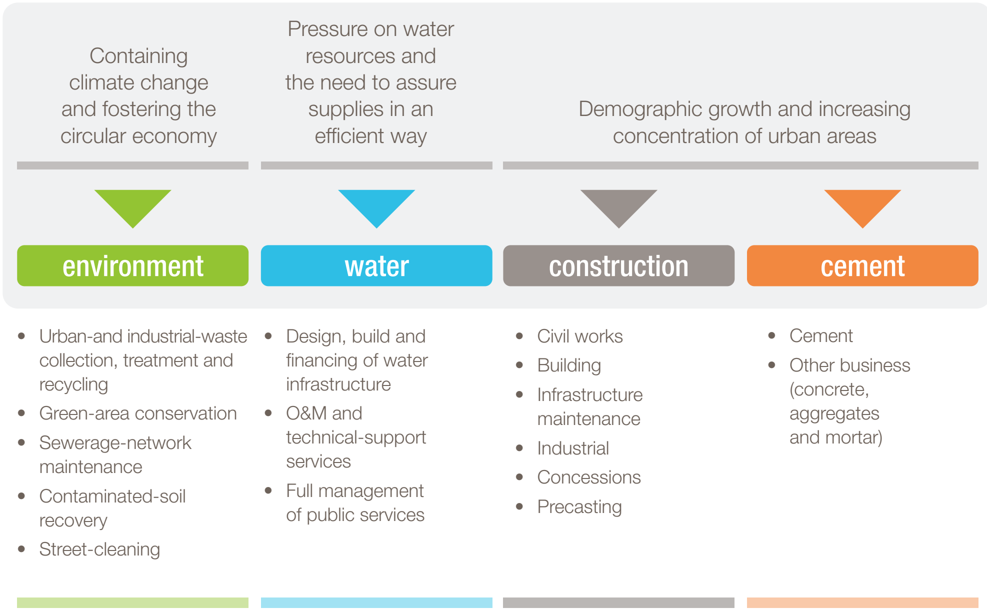
9 Environmental and corporate social responsibility policies

9.1. Environmental policies

9.1.1. Business model

FCC is a worldwide public-service infrastructure operator, present in more than 35 countries. For over 115 years, FCC has been working to transform and modernise our cities while seeking to respond efficiently to the company's global challenges. All this is done by striving to respect the environment, contain the effects of climate change and efficiently manage water resources and the waste generated by urban areas.

Diversification of FCC's business model to respond to global challenges:



Risks and how they are managed

The global challenges that society faces today also pose a challenge for the company and its business going forward. The effects of global warming and pressure on water resources, such as extreme climatic events and more frequent droughts, have a direct impact on FCC's business.

FCC carries out a detailed analysis for all its business areas of the environmental risks to which each is exposed.

These are:

9.1.1.1. Construction

Building infrastructure is one of the solutions for mitigating and adapting to climate change, which is one of the concerns addressed each year in the Global Risks Report (World Economic Forum, 2018 (*) Global Risk Report 2018).

Global undertakings (the 2015 Conference of Parties to the UN Framework Agreement on Climate Change, "COP21", held in Paris, and the 2016 conference, "COP22", held in Marrakesh) to halt the advance of climate change and threat to the natural environment call for changes in how we conceive infrastructure to minimise its impact and improve its robustness, which in the short term will mean both increasing investment in innovation to reduce consumption and , increasing the efficiency of processes and optimising the use of resources, by using efficient new materials, for example.

Other risks identified in the construction field that are built into FCC's management are:

- Vulnerability of infrastructure to extreme climate events.
- Changing transport patterns associated with climate changes.
- Changing regulatory frameworks related to environmental issues.
- Rising prices of the resources used.
- Developing infrastructure in geographical markets that present greater vulnerability and environmental exposure.
- Boom in technology and new production models.

To mitigate these risks, FCC Construcción defines areas of action for infrastructure design and build, such as the use of strengthening and reinforcement systems for structures and materials or innovation applied to the identification, monitoring and management of structural risks in buildings and infrastructure.

9.1.1.2. Water

Water is an essential resource for human development, and its end-to-end cycle is FCC Aqualia's raison d'être.

Changing rainfall patterns and their consequences, such as scarce supplies or droughts, present a set of risks for the company's business, particularly regarding efficient management and guaranteed supplies. Thus:

- Potential risk of supplies cut off because of the lack of water and periods of drought.
- Potential conflicts over water use (e.g., as the demand for water increases).
- Implementation of a more restrictive regulatory framework on water uses.

Water stress means that greater investment is called for to assure water supplies, developing innovative solutions to make this possible, particularly in areas where the resource is already scarce.

FCC Aqualia is also committed to seeking alternatives to optimise water reuse in distribution, supply and consumption.

9.1.1.3. Environment

FCC Medio Ambiente's services aim to improve quality of life for people living in cities by providing services that include the cleaning and maintenance of streets, sewers and green areas and the handling and treatment of waste.

The company has identified a set of risks with direct impact on the division's activities:

– Surface water polluted as a result of overloaded treatment systems.

– Failures in sewerage systems owing to extreme climate events.

– Pressure on the availability and efficient management of water and increasing water tariffs.

– Potential conflicts over water use (e.g., as the demand for water increases).

– Stricter regulation of waste treatment and energy-recovery processes.

FCC Medio Ambiente is also committed to a circular-economy approach, which in turn will open up new business areas and opportunities, supported by greater efficiency in processes in terms of the reuse of wastewater and waste.

9.1.1.4. Cement

The cement business is one with considerable environmental impact, mostly during the limestone-decarbonation process and the burning of fossil fuels, which involves significant CO2 emissions. Both during the preliminary stages and during the course of business in this sector, a set of risks related to this impact can be identified:

– Likely increase in pressure regarding the availability of water resources and competition with other uses.

– Changes in the regulatory framework and price of the resource.

– Development of emergency action protocols to deal with extreme climate events.

– Restrictions on business as a result of climate-related regulation in the sector.

– Rising costs of production and O&M processes.

– Legal or reputational risks related to operations in sensitive areas or involving sensitive resources.

Management of these risks focuses on mitigating greenhouse-gas emissions (GGEs) by replacing natural raw materials with decarbonated ones, replacing fossil fuels with alternative biomass fuels, with the energy valuation of waste as a priority option, complementary to recycling, rather than landfill tipping or elimination.

9.1.2. Policies and due diligence

The Group's environmental commitment and ultimate responsibility for enforcing regulation compliance in this regard lies with the Board of Directors.

In 2009, the FCC Board approved the group's environmental policy, which sets out its commitment for the conservation of the environment and the use of the available resources in terms of:

– Continuous improvement.

– Controls and monitoring.

– Climate change and prevention of pollution.

– Care for the environment and innovation.

– Life cycle of products and services.

Respect for the environment and minimising any negative impact of the group's activities are also covered in the FCC Code of Ethics (2008, revised in 2012) and CSR Policy (2016).

Also, in 2012, as part of its environmental-commitment policies, FCC its Climate Change Strategy (currently under review), with reducing GGEs being the priority goal of this strategy, by improving efficiency in the use of resources.

With regard to environmental-management systems, FCC's current goal is to achieve certification of 100% of its business under the standard UNE-EN ISO 14001:2015. In 2016 this figure stood at 84.5%. Also in 2017, efforts have been made to extend the scope of the Energy Management System under the standard UNE-EN ISO 50001:2011.

FCC has also implemented Energy Efficiency Technical Guidelines at its corporate offices, fostering energy efficiency and savings to reduce pollutant emissions.

The fourth CSR Master Plan (PDRSC2020), approved in October 2017, strengthens the company's environmental positioning to respond to global changes (in line with the UN Sustainable Development Goals), from the viewpoint of the circular economy as an umbrella for driving efforts to combat climate change, respond to water stress and protect biodiversity.

9.1.3. Indicators and results

The group's experience and specialisation in key business areas like Construction, Cement, Water and Environmental Services enables FCC to ally with city in their environmental challenges, providing solutions for such concerns as mobility, waste generation and the need for high-quality water supplies Nevertheless, these activities also involve environmental impact that must be measured in order to minimise it and manage it as efficiently as possible.

The group manages, controls and monitors more than 50 performance indicators associated with its main environmental issues. As part of its commitment to transparency with its stakeholders, these are published annually in accordance with the Global Reporting Initiative (GRI) standard in the group's CSR Report.

This report focuses on the environmental issues involved in FCC's business that are the most significant because of their size or impact, and these figure prominently in the group's management, control and mitigation systems.

The performance indicators associated with these environmental issues, chosen as being representative for reporting here, are: energy consumption, water consumption, waste generation, GGEs and consumption of materials.

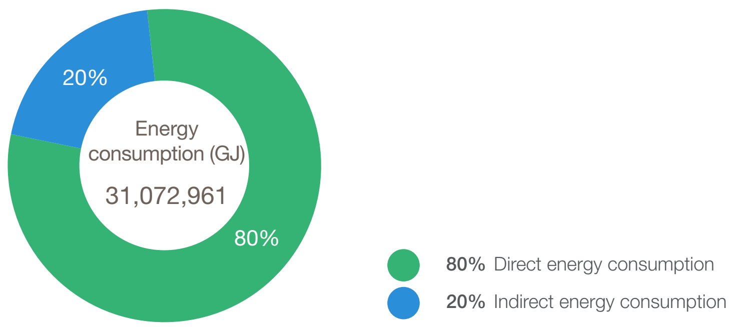
The 2017 values are currently under review. The values, once verified by an independent outside firm, will be published in the group's annual CSR Report in the first half of 2018.

- Energy consumption

(giga-Joules)

	2017	2016
Direct energy consumption	24,815,763	31,338,961
Indirect energy consumption	6,257,197	5,714,895
TOTAL	**31,072,961**	**37,053,856**

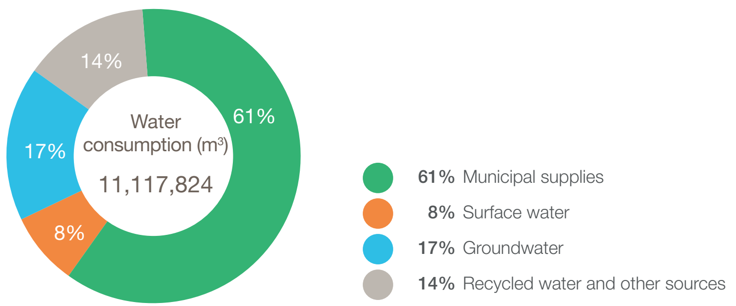
The reduction in direct energy consumption is largely due to the deconsolidation of the Giant subgroup resulting from the loss of control that followed the capital-increase operation described in note 5 of the 2017 financial statements.



- Water consumption

(cubic metres)

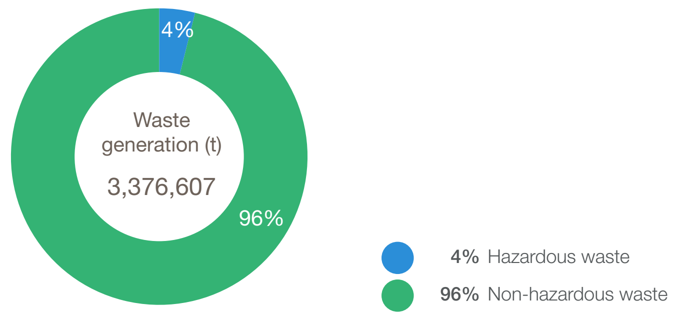
	2017	2016
Municipal supplies	6,823,182	6,558,811
Surface water	852,911	963.744
Groundwater	1,874,624	2,777,199
Recycled water and other sources	1,567,107	1,534,708
TOTAL	**11,117,824**	**11,834,462**



- Waste generation

(tonnes)

	2017	2016
Non-hazardous waste generated	3,249,785	3,009,739
Hazardous waste generated	126,822	93,493
TOTAL	**3,376,607**	**3,103,232**



Although at the time of issuing this report the following indicators for 2017 are still being reviewed by an independent external verifier and will not be reported until the CSR Report is published, below we cite information from previous information to show how they have evolved.

- Greenhouse-gas emissions (GGE)

(tonnes CO_2eq)

	2016	2015
Direct emissions (scope 1)	9,950,467	9,711,807
Indirect emissions (scope 2)	521,105	681,449
TOTAL	**10,471,572**	**10,393,256**

The 2017 values are currently under review. The values, once verified by an independent outside firm, will be published in the group's annual CSR Report in the first half of 2018.

- Materials consumption

(tonnes)

	2016	2015
Raw materials	22,502,320	30,919,538
Auxiliary materials	58,201	77,043
Semi-finished products	3,668,146	4,214,457
Containers and packaging materials	280	287
TOTAL	**26,228,947**	**35,211,325**

9.2. Corporate social responsibility

9.2.1. Business model

FCC, because of its business mission, is committed to the priority goal of working on the welfare and development of the community where it offers and provides its services.

FCC's business cannot be conceived without its permanent links to the public, fostering better understanding and connection with their actual needs and expectations. This interaction enables the company to play a leading role in the changes that are happening in our cities in the areas that FCC specialises in.

The social involvement that FCC has always shown with regard to the local communities where it operates also extends to its employees, their families and other groups, through the many projects that the company develops year after year at each of its businesses, sites or contracts.

FCC, following the trends for digital transformation and transparency, uses the latest communication tools to further enhance its closeness to the public, which is one of the group's signature values.

9.2.2. Risks and how they are managed

In view of recommendation 12 of the CNMV's Code of Good Governance for listed companies, the FCC Board of Directors works with a single purpose and independent view, guided by social interest, which is understood to mean achieving a business that is profitable and sustainable in the long term, fostering its continuity and maximising the firm's economic value.

FCC balance social interest with the legitimate interests of its employees, suppliers, clients and other stakeholders potentially affected, and the impact of the company's activities on the community at large and on the environment. It also upholds the principles under its Code of Ethics, which are reviewed on a regular basis.

9.2.3. Policies and due diligence

- Reaching out to stakeholders

As established under recommendation 53(f) of the Code of Good Governance for listed companies, supervising and assessing processes in relation to different stakeholders is a role that corresponds to the company's governing body and its Executive Committee, to which all CSR-related competencies have been delegated.

To achieve an appropriate relationship and active communication with stakeholders, FCC makes available to its employees numerous in-house communication channels:

– Corporate intranet, "FCC ONE": the company's main channel for multidirectional communication and a tool for conveying relevant information to employees.

– Employee's site: contains specific information and provides an in-house communication channel to facilitate dialogue between employees and the company.

– Digital publication of the in-house journal Red de Comunicación ("Communication Network"): includes relevant information on recent events at FCC and news articles on the group's activities.

– Friday news bulletin: a weekly publication that compiles the company's news.

– News capsules: flashes containing relevant information disseminated by mass mailing.

– Awareness-building campaigns on environmental issues and support for groups at risk of exclusion.

– Internal competitions to strengthen employees' pride in belonging to the company, including a Christmas drawing competition for their children.

FCC also participates in numerous forums and conferences organised by authorities, universities, research centres and public organisations, with a view to exploring the challenges facing cities in the future and the need to integrate greater digitisation and more active communication with end users into public services.

Some examples of such involvement in 2017 are related to equality, women's leadership and diversity, sustainable living i cities, and the movement to develop smart communities that can drive innovative, sustainable cities.

- Impact on local communities

Besides its dialogue with the public, FCC works to maximise the positive impact of its activities on the community. And the group sees measuring this impact as a key part of this. The company works to develop and apply methodologies and systems to measure, assess and mitigate any impact that its activities may have on people or the environment.

FCC cooperates with the communities where it works through diverse projects targets at the most disadvantaged groups.

These actions can be grouped into the following areas:

– Social inclusion and access to basic services: initiatives that foster social development and reducing inequality in communities where the group operates.

– Creating value in communities: actions links to growth of the business fabric in areas where the company works.

– Cooperation in environmental education and awareness-building: working with educational institutions to disseminate information and build awareness regarding matters related to sustainability and business in communities.

– Assessing the social and environmental impact of operations: analysing the impact that company causes on the communities where it operates, identifying their main concerns, with a view to developing actions that best meet their needs.

– Corporate volunteering: involvement by FCC employees in social-action projects promoted by the company.

– Equality policies and initiatives for the recruitment, training and remuneration of the Group's professionals.

9.2.4. Indicators and results

FCC accepts the importance of putting into practices all policies and actions by creating different indicators to show what has been done in this field, acting transparently towards stakeholders with regard to the targets reached. The management indicators used at FCC to measure corporate civic responsibility include:

- Millions of euros invested in social action.
- Number of initiatives developed.
- Number of employees participating in training.
- Number of employees participating in corporate volunteering projects.
- Beneficiary population social-inclusion and employment projects.
- Beneficiary population of actions to combat inequality (water access and other initiatives).
- Number of partnership agreements for training with universities, business schools and secondary schools

In 2017 the FCC Group allocated €5,133,000 to invest in CSR projects.

10 Measures to combat corruption and money-laundering

The purpose of the FCC Group's ethics and compliance model is to detect risks of non-compliance, including those associated with criminal activity, and to minimise any impact. This model is developed through policies, procedures and internal controls to be reviewed and updated on a regular basis.

The Board of Directors is responsible for approving the Code of Ethics and Conduct and the Compliance Model, and ultimately for assuring an in-house ethical climate, assisted by the Auditing and Control Committee, which in turn is supported by different sections within the organisation, such as the Response Committee.

The Code of Ethics, as the basis of the Compliance Model, sets out the FCC Group's undertaking to strictly comply with the applicable legislation in its areas of operations, and it serves as a key tool for guiding actions by employees in such matters as preventing fraud, corruption, money-laundering and irregular payments, the use and protection of assets, the handling of information, the management of potential conflicts of interest and management of sponsorships, patronage and partnerships.

This code is published on the corporate intranet and also on the group's website, where it can be accessed by everybody. All FCC Group employees, regardless of what kind of employment contracts they have, the positions they hold or the geographical area where they work, are obliged to comply with the Code of Ethics, which, in addition to any specific clauses in contracts, can be extended to cover suppliers whenever it is advisable to do so.

The FCC Group company has established a procedure to allow its employees to communicate confidentially any irregularities or improper practices observed in contravention of the Code of Ethics, reporting them to the Response Committee.

This committee operates as a joint body composed of the Internal Auditing, Risk Management and Compliance Director, the Legal Director, the HR Coordination and Development Director, and the Corporate Responsibility Director. Its duties, as set out in the Crime Prevention and Response Manual, include handling and investigating complaints received over the ethics channel. In 2017 the Response Committee received 19 complaints, none of which were related to corruption or fraud.

As another fundamental component of the FCC Group's Compliance Model, in 2016 the Board of Directors approved the Criminal Compliance Policy and System, which sets out the group's commitment to zero tolerance towards any kind of non-compliance related to bribery or corruption, together with tools for preventing, detecting and responding to risks of criminal offences being committed. These tools include identifying and prioritising conduct with a risk of committing crimes, such as those related to bribery, corruption, influence-peddling, fraud, money-laundering and swindling, the prevention and mitigation of which, through specific controls and actions, is a priority for the group.

The FCC Group considers that communication and training are basic parts of strengthening the culture of compliance within the group. In this regard, training given in 2017 included a course on preventing money-laundering and the financing of terrorism that was given to all employees working at companies bound by Spanish law.

In addition, the FCC Group's Internal Rules of Conduct for the Securities Market establishes that directors and senior executives are obliged to report regularly on any operations in which they or their associates are involved to subscribe, buy or sell securities or affected instruments.

11 RDI activities

In 2017 the FCC Group's RDI activities encompassed more than 40 projects.

These projects aim to meet the challenges in each area of business, while at the same time keeping the FCC Group's different business areas in step with one another.

Set forth below is a description of the activities of the various business Areas and of the main projects carried out in 2017.

Services

In the environmental services area, aside from continuing with the research work in various projects that commenced in previous years, including a new project titled **AERIAL ROBOT FOR SEWER INSPECTION (ARSI)** has been launched in the framework of the project European Co-ordination Hub for Open Robotics Development (Echord++), with the involvement of FCC Medio Ambiente and Eurecat, in a consortium with other firms.

This project is developing an innovative automated aerial vehicle (drone) equipped with multiple sensors, to streamline, facilitate and improve inspection tasks in Barcelona's sewers. A pioneering smart, efficient robotics solution is being used in the city for the first time.

Other significant projects in 2017 included:

- **SEEUS:** Consists of developing software based on the results and experience acquired from the R&D project **"EFFICIENT-MANAGEMENT INDICATORS"**.

  The **S.E.E.E.U.S.®** application is intended to serve as technological consulting tool that is compatible with regulatory requirements for the design and implementation of smart platforms.

  The project also aims to demonstrate the suitability of **S.E.E.E.U.S.®** as a tool to help decision-making (KPIs) so that local authorities (district councils and municipal federations) can have the relevant information at hand when it comes to assessing the environmental efficiency of urban services and planning appropriate measures for improving it.

The aim is to use TICs to associate al the stakeholders (management company, public and private institutions, the public, etc.) with a model for sustainable resources management and GGE reduction, fostering cities' adaptation to climate change while preserving criteria of quality of life and welfare for beneficiary populations of the services provided.

- **METHAMORPHOSIS:** The objective is to obtain biogas-upgrading to biomethane for vehicles, with tests on Seat vehicles and FCC collection trucks, as well as anaerobic effluent treatment.
- **ADVANCED SOLUTION FOR THE GLOBAL MANAGEMENT OF ALL THE PROCESSES AND PLAYERS IN ENVIRONMENTAL CONTRACTS** project, which encompasses 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, etc.

No research projects have been carried out on industrial waste in 2017.

End-to-end water management

Aqualia's innovation activities have continued to grow in 2017, partnering for the development of the company's technology proposal in the following work areas: sustainability, QA, smart management and eco-efficiency.

Significant projects in 2017 included:

- **SABANA,** a project launched in 2016, led by the University of Almería, with Aqualia as the main principal industrial partner, together with Westphalia (Germany) and the Italian food group Veronesi in a consortium of eleven entities from five countries (also the Czech Republic and Hungary). The project aims to build a facility on one hectare of land to grow microalgae and test the production of new biofertilisers and biopesticides, and then going on to build a biorefinery on fie hectares of land to enable alternative products to be obtained from microalgae, as an environment-friendly model that is safer for consumers.
- **RUN4LIFE:** led by FCC Aqualia, this project has 14 partners in seven different countries. Its objective is to implement, in four demonstration locations (Sneek in Holland, Ghent in Belgium, Helsingborg in Sweden and Vigo in Spain), new concepts for nutrient recovery from the separation of grey water and black water. In parallel, new ways of valuing the water–energy nexus and controlling decentralised management models will be developed.
- **LIFE MEMORY:** this project has demonstrated, at a 50 m^3 reactor in Alcázar de San Juan (Ciudad Real), the technical and economic feasibility of an innovative technology: an anaerobic membrane bioreactor (AnMBR). This new technology enables the organic matter contained in wastewater to be converted directly into biogas, skipping the conventional primary decanting and secondary aerobic treatment stages. What is obtained is disinfected, fertiliser-rich water for reuse, with a reduction in energy consumption and CO_2 emissions of up to 80%, reducing the space required by about 25% and silt production by approximately 50%.
- **BIOWAMET BESTF2:** being developed under the European ERANET programme, in partnership with Southampton and Delft universities. In synergy with the LIFE MEMORY project on anaerobic reactors with membranes, it is being implemented at a small WWTP in the Lower Ebro to obtain bio-energy and reusable water.
- **LIFE BIOSOL (BIOSOLAR WATER REUSE AND ENERGY RECOVERY):** project led by the French SME Heliopur with the objective of solar disinfection of water for reuse, while also recovering the organic waste produced in the process. After an initial demonstration stage at the Centa Foundations facilities in Seville, a larger-scale installation is being implemented at Toyo WWTP in Almería.
- **PIONEER:** this project is part of the European ERA-NET Cofund Water Works project under the WATER JP Initiative. It is led by the USC, bringing FCC Aqualia together with a network of leading universities (Verona in Italy, DTU in Denmark and KTH in Sweden) to seek processes that improve the elimination of micro-pollutants. In parallel, ELAN and struvite-precipitation technologies are also being optimised at plants managed by FCC Aqualia, with a view to reducing the environmental impact of the wastewater-treatment process.

- **MEDRAR:** co-funded by the Conecta Peme programme to foster RIS 3 priorities identified in Galicia and supported by the European Regional Development Fund, has the objective of improving treatment in small towns and villages. Together with two Galician SMEs and led by the University of Santiago de Compostela, compact automated wastewater-treatment models are being developed, integrated into a rural environment, with low installation and maintenance costs and minimal environmental impact.
- **SMART GREEN GAS:** the project is funded as part of the National Enterprise Research Consortia (CIEN) programme, supported by the CDTI. FCC Aqualia leads a consortium with four other firms (Gas Natural Fenosa, Naturgas/EDP, Ecobiogas, Diagnostiqa and the Dimasa Group). This project has featured the implementation of several new methodologies for increasing the production and quality of biomethane at WWTPs managed by FCC Aqualia (Seville, Jerez and Aranda de Duero) to improve electricity generation or power vehicles. Conditions are expected to eventually enable electricity to be injected into the grid.
- **ALL-GAS**: The project is now in its final large-scale demonstration phase, with the building of 2 hectares of algae crops and a 2700 m^3 digester. After commissioning, up to 2,000 m^3/d of municipal effluent will transformed into water for reuse and algae biomass, generating biomethane to power up to 20 vehicles/ha, with a positive energy balance. The entire process chain will be validated over the course of one year, and the biofuel will be used to power several vehicles to confirm its quality.
- **LIFE METHAMORPHOSIS:** this is project run by a consortium of six entities (Greater Barcelona, FCC SA, Gas Natural, Icaen and Seat, led by FCC Aqualia), which is completing the construction of a large demonstration plant at the Besós Ecopark, managed by the FCC Group. The process uses three technologies recently developed by FCC Aqualia — AnMBR, ELAN (autotrophic nitrogen elimination and biogas-washing — to convert urban-waste leachate into biomethane. The fuel will be tested for injection into the natural-gas network and use for cars.
- **LIFE ICIRBUS (INNOVATIVE CIRCULAR BUSINESSES):** led by the Intromac technology centre, this project brings together eight firms to demonstrate the reuse of treatment-plant waste for building materials and generating bio-fertilisers at a plant managed by FCC Aqualia in Extremadura.
- **LIFE ANSWER:** This project, led by Mahou, installs microbe treatment cells (fluidised MFC – previously developed by FCC Aqualia in partnership with the University of Alcalá de Henares) at the consortium leader's brewery in Guadalajara. The main objective of the project is to save energy in the process and recycle the aluminium found in the flow treated by combining the process with pretreatment based on electro-coagulation.
- **H2020 INCOVER:** this project is led by the Aimen technology centre with FCC Aqualia as the largest firm in a consortium of 18 entities from seven different countries, based on knowledge acquired from the All-gas project. The use of algae biomass in higher-value products (e.g., biofertilisers and bioplastics) is being extended and the production of water for reuse improved.
- **H2020 MIDES:** the objective of this project is to achieve a tenfold reduction in the energy cost of desalinisation compared with conventional reverse osmosis. The technology used — the microbial desalinisation cell (MDC) was developed with IMDEA Agua (in a previous IISIS project) — allows waste organic material (from effluents) to be used to activate bacteria that displace salts via membranes with no need for external energy sources. The project mobilises eleven partners from seven countries to implement the technology and set up three demonstration units on three continents: Europe (Spain), Africa and the Americas.
- **RENOVAGAS:** cofunded by the Innpacto del Mineco project and led by Enagas, a prototype catalytic reactor developed by Technalia has been operated at Jerez WWTP. By using new online instrumentation, the quality of the enriched methane has been shown to be such that it can be used as biofuel, by using the CO_2 in the biogas and the hydrogen produced with renewable electricity
- **CLEANWATER:** this project, funded by the EU's Eco-Innovation programme, has tested a new way of producing hypochlorite on site for disinfection at water-treatment plants, avoiding the risks involved in using and transporting chlorine gas, at the facilities of the water services in Almería (reuse of wastewater) and Denia (pre-oxidation at the desalinisation plant). A third machine was introduced at Nigrán in early 2017.

- **MOTREM:** supported by the WATER JPI initiative, is a project led by Rey Juan Carlos University in Madrid, together with three other universities in Finland, Italy and Germany. The project has assessed new technologies for the control and treatment of emerging pollutants at urban-wastewater reuse plants.
- **INNOVA E3N:** this project consists of the energy-efficient elimination of nitrogen. It follows on from the Innova Impactar project funded by the Cantabria Regional Government, seeking to optimise the membrane-aeration pilot plant installed at San Claudio WWTP (Asturias), with a view to using it as a compact small-scale WWTP at decentralised facilities.

  Also in 2017 a European patent has been obtained for the production and purification of biomethane (EP 15382087.3 - biogas washing and removal of H2S and CO_2) and the corresponding ABAD (Absorption-Adsorption Bioenergy) mark.

  Also, in partnership with the University of Valladolid and thanks to SGC funding, patent application EP 17382699.1 has been filed for digestion under pressure to obtain a methane-enriched biogas.

Construction

FCC Construcción continues to champion an active policy of technological development, while permanently applying innovation to its construction projects, with a firm commitment to research and development, sustainability and the contribution to quality of life in Society as competitiveness factors.

The development and use of innovative technologies to carry out construction projects contribute significant value added and are differentiating factors in the current market, which is highly competitive and internationalised.

The projects developed by FCC Construcción and its investees are of three types: internal projects, projects with other FCC Group companies and projects carried out in conjunction with other companies in the industry or other related industries, frequently with technology-driven SMEs, which makes it possible to perform open innovation projects with a participation in the value chain and, occasionally, on a horizontal cooperation basis. Also, the presence of universities and technological institutes is fundamental in practically all the projects.

Some of the projects are undertaken in partnership with public entities, such as the European LIFE ZERO IMPACT, Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines, which involves the Spanish rail-infrastructure management entity, ADIF.

In 2017 various new projects were approved:

- **WPDRON:** the objective of this project, presented to CDTI 2017 (Industrial Technological Development Centre) is to develop an automated monitoring system for civil-works infrastructure based on the use of drones.
- **BICI SENDAS:** a project under the CIEN 2017 programme with the objective of developing a sustainable, energetically self-sufficient, smart, non-pollutant, integrated, safe cycling lane
- **REFORM2:** this objective this project, presented for funding by the Catalan Waste Agency, is to value a by-product (0/6 porphidic, a by-product of the ballast- and gravel-manufacturing process) from quarrying by integrating it into thermo-stable and thermo-plastic matrices for different applications

Significant projects in 2017 included:

- **IN2RAIL** (Innovative Intelligent Rail), a project under the H2020 programme, led by Network Rail. The aim of this project is to set the foundations for a resilient, consistent, cost-efficient, high capacity and digitised European railway network. The results of this project will contribute to the Shift2rail initiative, a PPP dedicated to railways and falling within the Horizon 2020 programme, the objective of which is to make progress towards the introduction of the single European railway area.
- **NANOFASE:** (Nanomaterial Fate and Speciation in the Environment), a project under the H2020 programme. The objective of this project is to determine the fate of nanomaterials in the environment.
- **REWASTEE:** under the Eco-Innovation call for proposals and aimed at the industrial validation, market deployment and replication of a developed technology for recycling steelmaking wastes and manufacturing multifunctional building products.

- **BUILDSMART:** ((Energy Efficient Solutions Ready for the Market). The purpose of this project is to demonstrate that it is possible to construct buildings with very low energy consumption in an innovative and profitable way. The project, part of the H2020 programme, includes the design, construction and monitoring of new residential and non-residential buildings in Sweden, Ireland and Spain.
- **IMPACTO CERO:** the objective of this project is to develop an anti-collision screen for birdlife based on the concept of equally-spaced tubular screens.
- **ASPHALTGEN:** a project developed by Serviá Cantó based on research into new asphalt aggregate paving with self-generating features based on technology consisting of ionic liquids encapsulated in inorganic materials.
- **GUIDENANO:** a project developed by Serviá Cantó that is developing innovative methodologies to evaluate and manage human and environmental health risks of nano-enabled products, considering the whole product life cycle.
- **DOVICAIM:** a project developed in conjunction with the "IH Cantabria" Environmental Water Institute to develop an integrated methodology and the tools required to support the complete life cycle of the construction of vertical docks using prefabricated blocks in a floating dock, including design, optimisation, construction, installation and operation. The project is focused directly on the clear strategic priority of ensuring the international development of FCC Construcción.
- **SORT-i:** a project from the Retos-Colaboración tender process. Its main objective is the 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 minimize the risks of physical damage in high-potential situations of structural collapse.
- **DANAE:** approved by the CDTI (Industrial Technological Development Centre) with the objective of achieving smart regulation of tunnel lighting, led by MATINSA.
- **CALA:** A project from the Retos-Colaboración tender process. Its objective is to improve water security and increase the reservoir capacity of brick dams by implementing lateral spill-collection channels. Calculation code, experimental validation and construction process. Participating in this project are FCC Construcción and MATINSA
- **ROBIM:** as part of the CIEN programme, the objective of this project is to build an autonomous robot to inspect and assess existing buildings with BIM integration, developing an automated, active and multidisciplinary technology for inspection, assessment and diagnosis of the composition, condition and energy efficiency of the walls of existing buildings, thereby facilitating the obtaining of reliable information in sufficient detail on building systems and pathologies and a comprehensive analysis of the building.
- **CYRENE:** project approved by CDTI (Industrial Technological Development Centre) and developed by MATINSA, the objective of which is to develop a new system for the integrated management of road tunnels containing the control of all installations and implementing optimised global-management strategies.

FCC Construcción is participating in numerous European and Spanish R&D+i associations with the shared objective of articulating the role of the company as a driving force behind research, development and technological innovation in the Construction Area, pursuant to the approach taken in the EU's current H2020 programme.

Cementos Portland Valderrivas

The Cementos Portland Valderrivas Group's (CPVG) commitment to society takes the form of innovation in products, processes and technologies inherent to the materials it processes and manufactures.

Its innovation is designed strategically on the basis of three main axes:

- Product innovation. Leading to high-durability and high-mechanical performance cements.
- Sustainable construction. To obtain eco-efficient materials with a reduced carbon footprint.
- Construction solutions. Based on integral customer service.

In the Group's other activities, the circular economy continues to be encouraged by using alternative raw materials and fuels in our production processes, thereby enabling us to achieve savings in CO2 emissions.

Fuel derived from waste is used in the furnaces at production facilities, having previously been handled at appropriate treatment plants operated by firms duly authorised by the local authorities (authorised waste handlers). The main advantage of this process is its use of the heat energy that this waste contains, thereby reducing in part the consumption of traditional fossil fuels, mostly derived from oil.

In 2017 the company renewed its commitment to combat climate change by researching new advanced technologies for CO_2 capture and driving energy valuation at most of its plants, with a view to reducing CO_2 emissions.

In the R&D area, the Cementos Portland Valderrivas Group launched the process to join an international consortium under the European BIORECO2VER project, with the overall objective of creating alternative processes for producing chemicals (isobutene and lactic acid) on a commercial scale in a more sustainable way, by capturing industrial CO_2 emissions as the raw material, and exploring alternative non-fossil-dependent production technologies.

With a view to overcoming some of the technical and economic barriers involved in CO_2 capture and bio-conversion on an industrial scale, the project will focus on minimising production costs and improving industrial scalability as an important step in making the product commercially viable.

All the activities will be carried out by a well-balanced, experienced group made up of two research and technology institutions, two universities, four SMEs and four large industrial firms. Specifically, GCPV will lead the work package for CO_2 capture and enrichment for valuation as raw material for high-productivity processes.

In the environment area, the group's strategy includes the co-processing of fuels derived from waste in our production process, actively contributing towards the implementation of the circular economy and enabling CO_2-emissions savings to be obtained by permanently eliminating waste in a safe, effective way.

This year the Cementos Portland Valderrivas Group maintained energy valuation of alternative fuels in its clinker furnaces, achieving an average value of 12% across all its plants. In Spain this heat-replacement ratio has been consolidated with a 4% increase compared with 2016, now reaching around 15%. Part of these fuels consist of biomass, thereby avoiding emissions into the atmosphere of approximately 127,400 tonnes of CO_2, equivalent to the average annual emissions produced by 70,850 cars, i.e. approximately 0.3% of the cars in Spain.

The firm commitment towards this growing trend in Europe continues, with energy valuation now a standard, consolidated practice in countries such as Germany, Austria, Belgium, Denmark, the Netherlands, Sweden and Switzerland. Thanks to this environmental policy, landfills have practically disappeared, unlike the current situation in Spain, where more than half the waste generated ends up at a landfill.

In addition, GCPV encourages the responsible use of natural resources by valuing the materials obtained from industrial by-products, replacing natural raw materials to save non-renewable resources and avoid the impact that their use has on the natural environment. In 2017, the consumption of raw materials was 294,755 tonnes of industrial by-products.

12 Other relevant information stock market performance and other information

12.1 Stock Market Performance

Following is a detail of FCC's share performance in 2017 compared to 2016.

	Jan. – Dec. 2017	Jan. – Dec. 2016
Closing price (€)(1)	8.626	7.5510
Change in the period	14.2%	10.8%
High (€)(1)	9.879	9.3820
Low (€)(1)	7.551	6.0387
Average daily trading (shares)	75,231	1,679,079
Average daily trading (M€)	0,7	12.3
Market capitalisation at end of period (M€)	3,268	2.861
Number of shares outstanding	378,825,506	378,825,506

(1) Figures adjusted by the capital increase performed in 2016, amounting to EUR 118.25 million shares.

12.2 Dividends

In accordance with the principle of prudent management and in the best interest of all the Company's shareholders, in December 2012 FCC's Board of Directors resolved not to pay any dividends. This resolution remained unchanged in 2017.

This decision, included within the framework of the restructuring in progress since 2013, the purpose of which is to enhance operating efficiency and strengthen the balance sheet, must be ratified by the shareholders at the Annual General Meeting to be held in the first half of 2018.

13 Definition of alternative performance measures under ESMA rules (2015/1415es)

EBITDA

We define EBITDA as the profit from continuous operations before tax, profit or loss of companies by the equity method, financial profit or loss, amortisation expenses, impairment and profit or loss from disposals of non-current assets, subsidies and net variation in provisions and other non-recurring expenditure and income.

EBIT

This corresponds to the operating profit or loss in the profit and loss account and consolidated earnings presented in the enclosed consolidated financial statements.

ORDERS

The FCC Group uses its orders as an off-book measure for certain business areas. We calculate orders for our Environmental Services, Water and Construction divisions, as their business is based on contracts in the long or medium term. We do not calculate orders for the Cement division, owing to the typically short-term nature of the ordering cycle.

AOn a given date orders are defined as the production or services pending, i.e. contracted sums or clients' orders, excluding taxes, minus any sum under such contracts or orders that has already been recognised as income. Pending income is valued according to current prices on the calculation date. Only sums that are binding on clients under a contract in effect or confirmed order are included as orders.

In the Environmental Services division we recognise the orders resulting from waste-handling contracts only if the contract guarantees exclusivity in the geographical area where the plant, landfill or facility is located.

In the Water division, the FCC Group calculates the income portfolio based on long-term estimates over the course of the contract, which are used as the basis for contracts with clients and at the rates established under those contracts.

In the Construction division, the FCC Group recognises orders only when there is a contract or order signed by the end client.

Once a contract has been included in orders, the value of the production pending completion under that contract remains on the order book until it is completed or cancelled. However, we do make valuation adjustments to reflect any changes to prices and deadlines that may be agreed with the client. For example, after the calculation date a given price may rise or fall as a result of the production contracted owing to additional work to be done.

Owing to multiple factors, some or all of the orders linked to a contract may give rise to actual earnings or not. As our orders are subject to projects being altered and cancelled, they cannot be taken as a reliable indication of future earnings.

NET FINANCIAL DEBT

To obtain the net financial debt the total gross financial debt (current and non-current) is considered, minus current financial assets, cash and bank and other current financial assets.

VOLUNTARY ROTATION INDEX

The ratio between the employees who have left voluntarily during the year and the total workforce. Both employees leaving the company permanently and those going on sabbatical are included.

Fomento de Construcciones y Contratas, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2017 and Consolidated Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
Spain

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Fomento de Construcciones y Contratas, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fomento de Construcciones y Contratas, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2017, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test on Corporación Uniland and FCC Environment (UK) goodwill	
Description	**Procedures applied in the audit**
The consolidated balance sheet includes goodwill amounting to EUR 1,084 million relating to certain ownership interests, mainly those relating to the Corporación Uniland cash-generating unit (CGU) of the Cement area (EUR 396 million), and the FCC Environment (UK) Group CGU of the Services area (EUR 294 million). The Group tests these assets for impairment each year. Management's assessment of the possible impairment is a key matter in our audit since the assessment is a complex process that requires a significant number of estimates, judgements and assumptions to be made, mainly in relation to: Goodwill of Corporación Uniland of the Cement area: discount rate, projected production levels, estimate of future margins and perpetuity growth rate. Goodwill of the FCC Environment (UK) Group of the Services area: discount rate, backlog, estimate of future margins and perpetuity growth rate.	Our audit procedures included, among others, the obtainment of the impairment tests performed by the Group and the supporting documentation used as the basis for their preparation. For the review, we involved our internal valuation experts to help us evaluate the methodology and financial assumptions used by the Group to determine the recoverable amount of the cash-generating units. Also, we analysed the reasonableness of the projected operating assumptions and the consistency of the assumptions included in the tests from the previous year with the actual figures of the CGUs in question in the current year. Furthermore, we focused our work on reviewing the disclosures made by the Group in relation to those assets, especially those relating to the sensitivity analyses of the key assumptions. Note 7-b to the accompanying consolidated financial statements contains the disclosures relating to the impairment tests performed on those assets and, in particular, the detail of the main assumptions used, the analysis of the consistency of the assumptions from prior years with actual figures on activity and a sensitivity analysis of changes in the key assumptions in the tests carried out.

Recoverability of deferred tax assets of the Spanish tax group	
Description	**Procedures applied in the audit**
The consolidated balance sheet as at 31 December 2017 includes deferred tax assets of EUR 837 million, of which EUR 787 million correspond to the Spanish tax group. At year-end, Group management prepares financial models to evaluate the recoverability of the deferred tax assets, taking into account new legislation and the most recent business plans approved for the different divisions and geographical business areas in addition to the reversal periods foreseen for the temporary differences recognised in the consolidated balance sheet. We identified this matter as key in our audit, since the preparation of these models requires a significant level of judgement, basically in connection with the projections of future business performance and the reversal periods foreseen for the temporary differences recognised, which affect the estimate of the recoverability of the deferred and other tax assets recognised in the consolidated balance sheet.	Our audit procedures included, among others, obtaining the financial models prepared by the Group to assess the recoverability of the deferred tax assets and the supporting documentation used as the basis for their preparation. We reviewed the financial models obtained, including the consistency of the pre-tax income projected for the coming years with the actual data for the current year. Also, we analysed the reversal periods foreseen for the temporary differences recognised in the consolidated balance sheet and involved our internal tax experts in analysing the estimate of income tax for the current year. Note 24 to the accompanying consolidated financial statements contains the disclosures relating to the Group's deferred taxes.

Provisions and contingent liabilities relating to Alpine	
Description	**Procedures applied in the audit**
As a result of the process of liquidating the Alpine Group that started in 2013, a series of lawsuits were initiated against the Group, some of which are for a significant amount. Group management should assess whether these claims constitute contingent liabilities or whether, on the other hand, a provision should be recognised in the consolidated balance sheet. This was a key matter in our audit, since this assessment requires Group management to make significant judgements and estimates, especially regarding the probability of there being an outflow of resources in the future or the possibility of measuring the amount of the obligation reliably. These judgements and estimates are made by Group management based on the opinions of the internal legal department and its external legal advisers and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.	Our audit procedures included, among others, the review of the evolution of each of the lawsuits affecting the Group as a result of the liquidation of the Alpine Group. To this end, we obtained confirmations from its external legal advisers in order to analyse the current status of the proceedings in progress and discussed with Group management its assessment of the related risk, classifying the risk as "remote", "possible" or "probable". Also, we assessed whether the Group's disclosures in the financial statements in relation to the claims currently in progress are adequate, in accordance with the applicable regulatory framework, and checked whether the details thereof were consistent with the evidence gathered in the course of our tests. Notes 19 and 26 to the accompanying consolidated financial statements contain the detail of the provisions and disclosures regarding the contingent liabilities relating to the claims associated with Alpine.

Recognition of long-term contract revenue in the Construction area	
Description	**Procedures applied in the audit**
The Group uses the percentage of completion method to recognise revenue from certain long-term contracts in the Construction area. This revenue recognition method was a key matter in our audit, as it affects a highly significant amount of total consolidated revenue, as well as the measurement of the amounts to be billed for work performed, and requires Group management to make highly significant estimates relating mainly to the expected outcome of the contract, the amount of costs to be incurred at the end of the construction work, the measurement of work completed in the period and the recognition of variations in the initial contract, all of which impact the revenue recognised in the year. These judgements and estimates are made by the persons in charge of performing the construction work, are subsequently reviewed at the various levels of the organisation and are submitted to controls to ensure the consistency and reasonableness of the criteria applied.	Our audit procedures included, among others, the performance of tests on the design and implementation of the relevant controls that mitigate the risks associated with the process of recognising contract revenue by reference to the stage of completion, as well as verification that the aforementioned controls operate effectively. Also, we performed a case-by-case analysis of details of the main projects in order to assess the reasonableness of the assumptions and hypotheses made by the Group, and reviewed their consistency with the estimates made by management in the previous year and with the actual data of the contracts in the current year. As regards the amounts to be billed for work performed, we analysed the recognition of revenue from work in progress and its recoverability on the basis of a sample of contracts, based on qualitative and quantitative factors. Lastly, we focused our work on verifying that the accompanying consolidated financial statements include the related disclosures required by the applicable financial reporting framework. In this connection, Note 3-s discloses the fact that the percentage of completion method is used to recognise revenue from long-term contracts, and Note 16-a includes additional disclosures in relation to balances recognised corresponding to amounts to be billed for work performed in the Construction area.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2017, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels thereof:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Control Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor’s report. This description, which is on pages 8 and 9 below, forms part of our auditor’s report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and control committee dated 27 February 2018.

Engagement Period

The Annual General Meeting held on 28 June 2016 appointed us as auditors of the Group for a period of one year from the year ended 31 December 2016.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 December 1990, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Antonio Sánchez-Covisa Martín-González
Registered in ROAC under no. 21251

27 February 2018

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and control committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Financial Statements

Fomento de Construcciones y Contratas

Balance sheet

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. as at 31 December 2017 (in thousands of euros)

ASSETS	31/12/2017		31/12/2016 (*)	
NON-CURRENT ASSETS		3,939,189		4,462,423
Intangible assets (Notes 5 and 8)		96,501		76,802
Property, plant and equipment (Note 6)		390,254		374,142
Land and buildings	51,953		60,604	
Other items of property, plant and equipment	338,301		313,538	
Non-current investments in Group companies and associates (Notes 10 and 21.b)		3,292,380		3,829,132
Equity instruments	2,872,561		2,244,475	
Loans to companies	419,819		1,520,724	
Other financial assets (Note 2)	–		63,933	
Non-current financial investments (Note 9.a)		47,657		52,802
Deferred tax assets (Note 18)		87,907		103,262
Non-current trade receivables (Note 8)		24,490		26,283
CURRENT ASSETS		707,691		844,057
Inventories (Note 6)		6,122		6,406
Trade and other receivables		441,075		382,619
Trade receivables for sales and services (Note 11)	347,137		286,472	
Trade receivables from Group companies and associates (Note 21.b)	47,275		71,424	
Tax receivables (Note 18)	29,132		8,793	
Other receivables	17,531		15,930	
Current investments in Group companies and associates (Notes 10.b and 21.b)		188,447		216,998
Current financial investments (Note 9.b)		8,876		143,734
Cash and cash equivalents		63,171		94,300
TOTAL ASSETS		4,646,880		5,306,480

The accompanying notes 1 to 24 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 2017.
(*) The comparative figures from 2016 have been re-expressed to record the impact of the takeover bid for Cementos Portland Valderrivas S.A. made in 2017 (notes 2, 10, 15 and 21).

Balance sheet

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. as at 31 December 2017 (in thousands of euros)

EQUITY AND LIABILITIES	31/12/2017		31/12/2016 (*)	
EQUITY (Note 13)		**805,277**		**618,523**
Shareholder' equity		795,885		609,782
Share capital		378,826		378,826
Registered share capital	378,826		378,826	
Share Premium		1,673,477		1,673,477
Reserves		953,856		953,167
Treasury shares and equity interests		(4,427)		(5,503)
Prior years' losses		(2,392,774)		(2,093,413)
Profit (Loss) for the year		184,337		(299,362)
Other equity instruments		2,590		2,590
Valuation adjustments		8,775		8,027
Grants, donations and legacies received		617		714
NON-CURRENT LIABILITIES		**2,699,415**		**3,506,929**
Non-current provisions (Note 14)		291,813		307,501
Non-current payables (Note 15)		1,834,788		3,139,649
Debt instruments and other marketable securities	–		32,200	
Bank borrowings	1,797,420		3,082,785	
Other financial liabilities	37,368		24,664	
Non-current payables to Group companies and associates (Note 10.d)		538,877		16,279
Deferred tax liabilities (Note 18)		29,309		43,500
Non-current trade and other payables (Note 16)		4,628		–
CURRENT LIABILITIES		**1,142,188**		**1,181,028**
Current provisions		4,043		6,686
Current payables (Note 15)		324,001		354,543
Debt instruments and other marketable securities	30,578		348	
Bank borrowings	264,318		231,838	
Other financial assets (Note 2)	29,105		122,357	
Current payables to Group companies and associates (Note 10.e and 21.b)		532,381		584,201
Trade and other payables		281,763		235,598
Payable to suppliers	72,377		74,495	
Payable to suppliers - Group companies and associates (Note 21.b)	9,852		14,341	
Other accounts payable to Public Authorities (Notes 16 and 18)	65,972		41,415	
Other payables	133,562		105,347	
TOTAL EQUITY AND LIABILITIES		**4,646,880**		**5,306,480**

The accompanying notes 1 to 24 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 2017.
(*) The comparative figures from 2016 have been re-expressed to record the impact of the takeover bid for Cementos Portland Valderrivas S.A. made in 2017 (notes 2, 10, 15 and 21).

Income statement

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. as at 31 December 2017 (in thousands of euros)

	31/12/2017	31/12/2016
CONTINUING OPERATIONS		
Revenue (Note 20)	**1,666,399**	**1,256,292**
Sales and services	1,216,370	1,179,068
Revenue from investments in Group companies and associates (Notes 20 and 21.a)	418,582	13,222
Financial revenue from marketable securities and other financial instruments of Group companies and associates (Notes 10, 20 and 21.a)	31,447	64,002
Procurements	**(158,547)**	**(154,045)**
Other operating income	**94,037**	**93,056**
Staff costs (Note 20)	**(782,591)**	**(761,749)**
Other operating expenses	**(196,457)**	**(176,609)**
Depreciation and amortisation charge and allocation to the income statement of grants (Notes 5, 6 and 13.g)	**(74,542)**	**(72,623)**
Excessive provisions (Note 14)	**8,113**	**19,870**
Impairment and gains or losses on disposals of non-current assets and other gains or losses (Note 21)	**(18,699)**	**10,194**
PROFIT (LOSS) FROM OPERATIONS	537,713	214,386
Finance income (Note 20)	**3,517**	**58,506**
From holdings in equity instruments of third parties	2,518	–
From marketable securities and other financial instruments of third parties	999	58,506
Finance costs	**(182,883)**	**(199,897)**
On debts to Group companies and associates (Note 21.a)	(25,748)	(9,406)
On debts to third parties	(152,635)	(186,384)
Interest cost relating to provisions	(4,500)	(4,107)
Changes in fair value of financial instruments (Note 20)	**15,363**	**(22,775)**
Exchange rate differences (Note 20)	**(4,297)**	**(31,187)**
Impairment and gains or losses on disposals of financial instruments (Note 10)	**(189,238)**	**(278,963)**
FINANCIAL PROFIT (LOSS)	(357,538)	(474,316)
PROFIT (LOSS) BEFORE TAX	180,175	(259,930)
INCOME TAX (Note 18)	4,162	(39,432)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	184,337	(299,362)
PROFIT (LOSS) FOR THE YEAR	184,337	(299,362)

The accompanying notes 1 to 24 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 2017.

Statement of changes in equity

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. as at 31 December 2017 (in thousands of euros)

A) Statements of recognised income and expense

	31/12/2017	31/12/2016
Profit (Loss) per statement of profit or loss	**184,337**	**(299,362)**
Income and expenses recognised directly in equity		
Arising from available-for-sale financial assets	–	(39)
Arising from cash flow hedges	997	66
Grants, donations and legacies received	55	181
Tax effect	(263)	(56)
Income and expenses recognised directly in equity	**789**	**152**
Transfers to the statement or profit or loss		
Arising from cash flow hedges	–	–
Grants, donations and legacies received	(163)	(129)
Tax effect	25	11
Total transfers to the statement of profit or loss	**(138)**	**(118)**
TOTAL RECOGNISED INCOME AND EXPENSE	**184,988**	**(299,328)**

The accompanying notes 1 to 24 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 2017.

Statement of changes in equity

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. as at 31 December 2017 (in thousands of euros)

B) Statement of changes in total equity

	Share capital (Note 13.a)	Share Premium (Note 13.b)	Reserves (Note 13.c)	Treasury Shares (Note 13.d)	Prior years' losses	Profit (loss) for the year	Other equity instruments (Note 13.e)	Valuation adjustments (Notes 12 and 13.f)	Grants (Note 13.g)	Equity
Equity at 31 December 2015	260,572	1,083,882	920,181	(5,503)	(2,058,727)	(34,686)	35,576	8,017	1,370	210,682
Total recognised income and expense						(299,362)		10	24	(299,328)
Transactions with shareholders and owners	118,253	589,595								707,849
Capital increase	118,253	589,595								707,849
Other changes in equity			32,986		(34,686)	34,686	(32,986)		(680)	(680)
Equity at 31 December 2016	378,826	1,673,477	953,167	(5,503)	(2,093,413)	(299,362)	2,590	8,027	714	618,523
Total recognised income and expense						184,337		748	(97)	184,988
Transactions with shareholders and owners			689	1,076						1,765
Treasury share and equity interest transactions (net)			689	1,076						1,765
Other changes in equity					(299,362)	299,362				
Equity at 31 December 2017	378,826	1,673,477	953,856	(4,427)	(2,392,774)	184,337	2,590	8,775	617	805,277

The accompanying notes 1 to 24 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 2017. In particular, Note 14, "Equity" explains this statement.

Statement of cash flows

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. as at 31 December 2017 (in thousands of euros)

	31/12/2017		31/12/2016	
Profit (Loss) for the year before tax		**180,175**		**(259,930)**
Adjustments to profit (loss)		**20,616**		**455,653**
Depreciation and amortisation charge (Notes 5 and 6)	74,705		72,752	
Impairment losses (Note 10)	194,515		278,817	
Changes in provisions (Note 14)	33,237		(20,597)	
Gains on derecognition and disposal of fixed assets (Note 20)	(34)		6,677	
Finance income (Note 20)	(453,547)		(135,729)	
Finance costs	182,883		199,898	
Exchange rates differences	4,297		31,187	
Changes in fair value of financial instruments	(15,363)		22,775	
Other income and expenses	(77)		(127)	
Changes in working capital		**21,688**		**118,123**
Trade and other receivables	11,068		173,421	
Trade and other payables	18,689		(55,058)	
Other current assets and liabilities	(8,069)		(240)	
Other cash flows from operating activities		**305,948**		**(139,029)**
Interest paid	(142,978)		(177,309)	
Interest and dividends received	448,344		56,419	
Income tax recovered/(paid) (Note 18)	9,123		(12,326)	
Other amounts received (paid)	(8,541)		(5,813)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**528,427**		**174,817**

The accompanying notes 1 to 24 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 2017.

Statement of cash flows

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. as at 31 December 2017 (in thousands of euros)

	31/12/2017		31/12/2016	
Payments due to investments		**(591,556)**		**(458,712)**
Group companies and associates (Note 10)	(524,638)		(371,187)	
Intangible assets and property, plant and equipment (Notes 5 and 6)	(58,583)		(77,637)	
Other financial assets	(8,335)		(9,888)	
Proceeds from disposals		**984,241**		**164,206**
Group companies and associates (Note 10)	821,630		56,698	
Intangible assets and property, plant and equipment (Notes 5 and 6)	2,148		1,199	
Non-current assets classified as held for sale (Note 9.b)	106,444		103,322	
Other financial assets	54,019		2,987	
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		**392,685**		**(294,506)**

The accompanying notes 1 to 24 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 2017.

Statement of cash flows

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. as at 31 December 2017 (in thousands of euros)

	31/12/2017		31/12/2016	
Proceeds and payments relating to equity instruments		**1.815**		**705.329**
Proceeds from issue of equity instruments (Note 13.a)	–		707.848	
Disposal of treasury shares (Note 13.d)	1.940		–	
Purchase of treasury shares (Note 13.d)	(180)		–	
Grants, donations and legacies received	55		181	
Other proceeds and/or payments relating to equity instruments	–		(2.700)	
Proceeds and payments relating to financial liability instruments (Note 15)		**(954.110)**		**(635.220)**
Proceeds from issue of:				
Bank borrowings	64.669		8.956	
Borrowings from Group companies and associates	2.024.287		297.024	
Other payables	659		1.844	
Repayment and redemption of:				
Debt instruments and other marketable securities	(1.950)		(417.600)	
Bank borrowings	(1.359.087)		(497.141)	
Borrowings from Group companies and associates	(1.572.951)		(15.549)	
Other payables	(109.737)		(12.754)	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**(952.295)**		**70.109**
Effect of exchange-rate variations		54		(2.566)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(31.129)**		**(52.146)**
Cash and cash equivalents at beginning of year		94.300		146.446
Cash and cash equivalents at end of year		63.171		94.300

The accompanying notes 1 to 24 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 2017.

Notes to the financial statements 2017

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. as at 31 December 2017 (in thousands of euros)

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. 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).
- **End-to-end 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.

The group has completed the internal-reorganisation process that has been implemented in recent years to focus on strategic business. In this regard, on 7 February 2017 the Company was paid for the sale of the Xfera Móviles S.A. shares together with the transfer of participatory loans in favour of Masmóvil Phone & Internet S.A.U., agreed the previous year, for a total sum of EUR 29.1 million (Note 9.b). Also, on 28 February the Company cashed its receipt of the contingent deferred price for the sale of shares of Global Vía Infraestructuras S.A., also arranged in previous years, for EUR 106.4 million (EUR 90.9 million plus EUR 15.5 million in interest) (Note 9.b).

The delisting tender offer made to the minority shareholders of Cementos Portland Valderrivas S.A. was accepted by 87.81% of the total securities it was aimed at. The shares were excluded from stock-market trading on 24 February 2017 (Note 10.a).

Finally, as part of the refinancing of the corporate debt, on 8 June the renewal of the new conditions of the syndicated loan of FCC S.A. were renewed, an operation that marked a milestone in the process of financial optimisation and one that will have a positive impact on generating free cash flow in the years to come. The agreement involves the advance repayment of EUR 1,069 million charged to funds obtained from bond issues by FCC Aqualia S.A. for EUR 700 million and 650 million. Following this partial repayment, the net corporate debt has been substantially reduced and its due date has been extended to five years, with a drop in the interest rate (Note 15.b).

2 Basis of presentation of the financial statements

The financial statements have been prepared from the accounting records of Fomento de Construcciones y Contratas S.A. and the unincorporated joint ventures (UTEs) in which it has interests, were prepared in accordance with the Spanish Commercial Code, Legislative Royal Decree 1/2010, of 2 July, which approves the Consolidated Spanish Limited Liability Companies Law, amended by Law 31/2014, of 3 December, and Royal Decree 1514/2007 which introduced the Spanish National Chart of Accounts, together with the amendment introduced under Royal Decree 602/2016, of 2 December. 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 2017. It should be noted in particular 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 "Finance income - from marketable securities and other financial instruments of Group companies and associates" were classified as "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 2016 were approved by the shareholders at the Annual General Meeting held on 28 June 2017.

The financial statements are expressed in thousands of euros.

Unincorporated temporary joint ventures and similar entities

The balance sheet, income statement, statement of changes in equity and cash flow statement of the unincorporated joint ventures (UTEs) in which the Company has interests were proportionately consolidated on the basis of the Company's percentage of ownership of each joint venture.

The unincorporated joint ventures 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 joint ventures are detailed in these notes to the financial statements.

The accompanying balance sheet and statement of profit or loss include the related items in proportion to the percentages of ownership of the joint ventures, the detail being as follows:

	2017	2016
Revenue	197,172	193,765
Operating income	25,216	21,663
Non-current Assets	106,234	107,351
Current assets	215,739	210,673
Non-current liabilities	35,012	35,351
Current liabilities	266,685	266,714

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.

Going concern

As at 31 December 2017 the Company presents negative goodwill of EUR 434,497 thousand. Despite this, the directors of Fomento de Construcciones y Contratas S.A. have prepared these statements on the principle of a going concern, as it was its debt with its subsidiaries (EUR 532,381 thousand) that gave rise to its negative goodwill, and there are no doubts as to the capacity of the Company and its group to generate resources through their operations, or the capacity for self-financing in the case of need for working capital, by means of credits assigned to banks by clients, with no possibility of recourse against Fomento de Construcciones y Contratas S.A., and also considering that the Company enjoys its shareholder's asset and financial support.

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 2017, 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 10,567 million (31 December 2016: EUR 10,770 million) and equity attributable to the Company's shareholders of EUR 864 million (31 December 2016: EUR 797 million). In addition, consolidated sales amounted to EUR 5,802 million (31 December 2016: EUR 5,952 million). Lastly, the consolidated profit attributable to the Parent amounted to EUR 118 million (31 December 2016: a loss of EUR 162 million).

Re-expressions performed

These financial statements have been re-expressed to facilitate understanding of the date for 2016 cited here. With regard to the delisting takeover bid for Cementos Portland Valderrivas S.A. in progress as at 31 December 2016 and completed in February 2017, a liability has been registered representing the payment obligation for the acquisition of the shares to which the bid applied, for the maximum possible sum, i.e., considering the acquisition of 100% of those shares, as at year end 2016 Fomento de Construcciones y Contratas S.A. was understood to have incurred in the obligation to buy the equity instruments held by the minority shareholders the bid was targeted at. The impact of re-expression has meant an increase in current financial liabilities of EUR 63,933 thousand, offset by the same sum under non-current financial assets (Notes 10, 15 and 21.b).

The re-expression carried out has had the following impact on the 2016 financial statements:

	Annual statements data published	Impact of takeover bid	Impact after takeover bid
Non-current Assets	4,398,490	63,933	4,462,423
Current assets	844,057	—	844,057
	5,242,547	**63,933**	**5,306,480**
Equity	618,523	—	618,523
Non-current liabilities	3,506,929	—	3,506,929
Current liabilities	1,117,095	63,933	1,181,028
Total Equity	**5,242,547**	**63,933**	**5,306,480**

3 Distribution of profit or loss

The proposed distribution of the 2017 profits of Fomento de Construcciones y Contratas S.A., which will be submitted for the shareholders' approval at the AGM, is as follows:

	2017
Profit for year, before distribution (thousands of euros)	**184,337**
Distribution	
To legal reserve	49,651
To voluntary reserves	134,686

In addition, in 2016 the Company incurred a loss of EUR 299,362 thousand, which was 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 2017, 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 2017 year-end there were no indications that any of the Company's intangible assets had suffered an impairment loss.

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 2017, there was no indication that any of the items of the Company's property, plant and equipment had suffered a significant impairment loss, since the recoverable amount of the assets is not lower than their carrying amount.

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 will be 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 lower 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 (Note 12).

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 valuation adjustments 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) Income and expenses

Income 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. Income 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 activity which, due to his nature, involves 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 2017 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 and similar

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.

Also, with regard to the contractual conditions agreed with the previous CEO, the Company had to set up a savings fund from which to compensate him if his contract was terminated during the first three years of its term on any grounds other than his voluntary resignation, objective dismissal or disciplinary dismissal. In both cases the payment will be of a compensatory nature, consisting of the compensation provided for in his contract and replacing any other compensation that might be derived from the termination of the contractual relationship (Note 21.c).

The contributions made by the Company for both items 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 these 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 (Note 18).
- The recoverability of the investments in Group companies and associates, and of any loans to or receivables from those companies (Note 10).
- The evaluation of possible impairment losses on certain assets (Note 4.c).
- The useful life of intangible assets and property, plant and equipment (Notes 4.a and 4.b).
- The market value of certain financial instruments (Note 12).
- The calculation of certain provisions (Notes 4.j and 14).

Although these estimates were made on the basis of the best information available at 31 December 2017, 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 21 "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) Statement of cash flows

The following expressions are used in the cash-flow statement:

- **Cash flow:** incoming and outgoing cash and equivalents.
- **Cash flow from operating activities:** payments and receipts in the entity's core business, plus any other activities that cannot be classified as investments or financing.
- **Cash flow from investment activities:** payments and receipts sourced from acquisitions and disposals of non-current assets.
- **Cash flow from financing activities:** payments and receipts sourced from the placing and cancellation of financial liabilities, equity instruments or dividends.

5 Intangible assets

The changes in "Property, Plant and Equipment" in the accompanying balance sheets in 2017 and 2016 were as follows:

	Concession arrangements	Concessions	Computer software	Other intangible assets	Accumulated depreciation	Impairment	Total
Balance at 31/12/2015	**158,298**	**26,304**	**52,583**	**22,185**	**(147,054)**	**(3,818)**	**108,498**
Additions or charge for the year	732	189	3,452	986	(14,721)	—	(9,362)
Disposals or reductions	(70,909)	(19,437)	(10,555)	(544)	78,348	111	(22,986)
Transfers	—	187	2	538	(75)	—	652
Balance at 31/12/2016	**88,121**	**7,243**	**45,482**	**23,165**	**(83,502)**	**(3,707)**	**76,802**
Additions or charge for the year	27,885	2,914	1,946	1,381	(14,764)	—	19,362
Disposals or reductions	—	—	(79)	(195)	103	112	(59)
Transfers	(351)	(119)	—	488	378	—	396
Balance at 31/12/2017	**115,655**	**10,038**	**47,349**	**24,839**	**(97,785)**	**(3,595)**	**96,501**

The heading "Concession Arrangements" for 2017 includes an increase of EUR 27,885 thousand, mostly related to a waste-treatment plant in Granada province (Note 8). The heading "Concession Arrangements" for 2016, includes the reduction of EUR 70,750 thousand related to the transfer of participating interests in joint ventures (Note 2), mostly in respect of the concession for integrated management of the Vigo municipal water supply and sanitation service. The Company transferred 49% of its participating interest to the other partner, the wholly owned subsidiary FCC Aqualia S.A., continuing to hold a residual stake of 1%. The assets assigned had accumulated amortisation of EUR 55,991 thousand. This transfer gave rise to no profit or loss.

"Concessions", which relates mainly to businesses carried on through joint ventures, includes primarily the amounts paid for obtaining the urban cleaning concessions and water supply. With regard to 2017 there are no significant variations, and the most significant change in 2016 was the decrease of EUR 17,618 thousand, for the reason mentioned above, and with accumulated amortisation de EUR 15,739 thousand.

The balance of "Computer Software" relates mainly, on the one hand, to the implementation, development and improvement costs of the corporate information system and, on the other hand, to costs relating to information technology infrastructures. In 2016 unused applications and infrastructure were deregistered.

The detail of the intangible assets and of the related accumulated amortisation at 31 December 2017 and 2016 is as follows:

	Cost	Accumulated depreciation	Impairment	Net
2017				
Concession arrangements	115,655	(41,480)	(3,595)	70,580
Concessions	10,038	(4,167)	—	5,871
Computer software	47,349	(34,900)	—	12,449
Other intangible assets	24,839	(17,238)	—	7,601
	197,881	**(97,785)**	**(3,595)**	**96,501**
2016				
Concession arrangements	88,121	(36,460)	(3,707)	47,954
Concessions	7,243	(2,215)	—	5,028
Computer software	45,482	(29,823)	—	15,659
Other intangible assets	23,165	(15,004)	—	8,161
	164,011	**(83,502)**	**(3,707)**	**76,802**

Of the net amount of intangible assets, EUR 15,466 thousand relate to assets used in joint ventures (31 December 2016: EUR 16,525 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 34,297 thousand, had been fully amortised (31 December 2016: EUR 25,401 thousand), while the amounts relating to joint ventures were not material.

At 31 December 2017, the Company did not have any intangible assets located outside Spain nor did it purchase undertakings for any relevant sums.

6 Property, plant and equipment

The changes in "Property, Plant and Equipment" in the accompanying balance sheets in 2017 and 2016 were as follows:

	Land and buildings	Other items of property, plant and equipment: Plant and other items of property, plant and equipment	Other items of property, plant and equipment: Property, plant and equipment in the course of construction and advances	Accumulated depreciation	Impairment	Total
Balance at 31/12/2015	**85,912**	**956,981**	**9,309**	**(704,994)**	**—**	**347,208**
Additions or charge for the year	357	53,928	17,277	(57,902)	—	13,660
Disposals or reductions	(613)	(67,835)	(436)	67,224	—	(1,660)
Transfers	15,588	17,469	(18,317)	194	—	14,934
Balance at 31/12/2016	**101,244**	**960,543**	**7,833**	**(695,478)**	**—**	**374,142**
Additions or charge for the year	37	78,758	4,389	(59,778)	(5,145)	18,261
Disposals or reductions	(1,979)	(32,958)	(410)	32,787	—	(2,560)
Transfers	14	6,030	(3,872)	(1,761)	—	411
Balance at 31/12/2017	**99,316**	**1,012,373**	**7,940**	**(724,230)**	**(5,145)**	**390,254**

The most significant variations under tangible assets in 2017 correspond to assets associated with services and water contracts operated by the Company, basically for vehicles and plant assigned to street-cleaning and waste-collection contracts. These include services contracts for the treatment and marketing of recyclable waste and the collection of urban solid waste secured by the Company in 2017 and 2016 in the United States (Florida and Texas). These contracts account for practically all the tangible assets located abroad, totalling EUR 52,915 thousand net of accumulated amortisation (31 December 2016: EUR 30,137 thousand), with investment in property, plant and vehicles under these contracts in 2017 standing at EUR 26,364 thousand (31 December 2016: EUR 15,906 thousand).

The line "Disposals or reductions" mostly includes deregistrations of assets that were for the most part fully amortised.

In 2016 EUR 15,588 thousand in assets was transferred to the Property-assets from Inventory, with plans to transfer these assets in 2018 to the Group company that specialises in the property business (FC y C, S.L. Unipersonal [*Sole-Shareholder Company*]).

The detail of the property, plant and equipment and of the related accumulated depreciation at 31 December 2017 and 2016 is as follows:

	Cost	Accumulated depreciation	Impairment	Net
2017				
Land and buildings	99,316	(42,275)	(5,088)	51,953
Plant and other items of property, plant and equipment	1,012,373	(681,955)	(57)	330,361
Property, plant and equipment in the course of construction and advances	7,940	—	—	7,940
	1,119,629	**(724,230)**	**(5,145)**	**390,254**
2016				
Land and buildings	101,244	(40,640)	—	60,604
Plant and other items of property, plant and equipment	960,543	(654,838)	—	305,705
Property, plant and equipment in the course of construction and advances	7,833	—	—	7,833
	1,069,620	**(695,478)**	**—**	**374,142**

The Company owns buildings, the value of which, net of depreciation, and that of the land, were as follows at year-end:

	2017	2016
Land	18,326	23,566
Buildings	33,627	37,038
	51,953	**60,604**

Of the net amount of intangible assets, EUR 61,237 thousand relate to assets used in joint ventures (31 December 2016: EUR 57,908 thousand).

In 2017 and 2016 the Company did not capitalise any borrowing costs to “Property, Plant and Equipment”.

At 2017 year-end the Company held various items of property, plant and equipment under finance leases (Note 7). Also, there were no significant undertakings to acquire property, plant or equipment.

At the reporting date, most of the items of property plant and equipment were used in the various production processes. However, a portion of these assets amounting to EUR 388,111 thousand was fully depreciated (31 December 2016: EUR 381,010 thousand), of which EUR 21,580 thousand were recognised under “Buildings” (31 December 2016: EUR 17,580 thousand), while the amounts relating to joint ventures were not material.

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 2017 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 2017 and 2016 are as follows:

	2017	2016
Carrying amount	**60,404**	**37,439**
Accumulated depreciation	16,434	13,111
Cost of the assets	**76,838**	**50,550**
Finance costs	6,951	5,498
Capitalised cost of the assets	**83,789**	**56,048**
Lease payments paid in the year	(14,013)	(9,171)
Lease payments paid in prior years	(21,439)	(18,003)
Lease payments outstanding, including purchase option	**48,337**	**28,874**
Unaccrued finance charges	(2,938)	(1,915)
Present value of lease payments outstanding, including purchase option	**45,399**	**26,959**
Contract term (years)	3 a 5	3 a 5
Value of purchase options	1,045	473

The payment dates of the outstanding lease payments of the committed payments are shown in Note 15.

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 2017 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 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 2017 totalled EUR 35,063 thousand (31 December 2016: EUR 38,175 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 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.

– Office buildings located at Federico Salmón, 13, Madrid and Balmes, 36, Barcelona.

On 1 June 2016, the Company assigned its contractual position to the wholly owned company Fedemes S.L., which entered into subletting contracts with the various FCC Group companies that occupy the buildings, including Fomento de Construcciones y Contratas S.A., for the same duration as under the original contract. Previously, 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.

In addition, on 18 July 2016, an addendum was added to the contract between the Company and Hewlett Packard Servicios España S.L., originally entered on 19 November 2010 and renegotiated on 30 May 2014, through which information technology infrastructure operating services were outsourced, in order to improve efficiency and create greater flexibility and competitiveness at an international level. The term was set to end in October 2020.

At 2017 year-end there were non-cancellable future committed payments in relation to the aforementioned items amounting to EUR 247,230 thousand (2016: EUR 277,700 thousand). The detail, by maturity, of the non-cancellable future minimum payments at 31 December 2017 and 2016 is as follows:

	2017	2016
Within one year	32,288	41,287
Between one and five years	84,424	105,266
After five years	130,518	131,147
	247,230	**277,700**

In its position as a lessor, when the Company holds lease contracts it 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 End-to-End 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 (Note 4.a).

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	End-to-End Water Management	Total
2017			
Intangible assets	70,227	353	70,580
Financial assets	27,303	–	27,303
	97,530	**353**	**97,883**
2016			
Intangible assets	47,643	311	47,954
Financial assets	29,338	–	29,338
	76,981	**311**	**77,292**

The detail of the Company's most significant service concession arrangements is as follows:

a) Intangible assets

– El Campello urban solid waste treatment plant (Environmental Services).

Construction and operation of the El Campello (Alicante) Integrated Urban Solid Waste Centre. It was granted to the Company in 2003 by the Plan Zonal XV consortium of the Valencia Autonomous Community and the construction phase was completed in November 2008. The initial operating phase of 20 years began at this time and was subsequently extended to 21 years and nine months. The net assets relating to the aforementioned arrangement total EUR 34,981 thousand (31 December 2016: EUR 36,418 thousand).

– Municipal solid-waste-treatment plant in Granada province (Environmental Services).

Operation and improvements for management of the public municipal-waste treatment service in Granada province, awarded by Granada Provincial Council until 2040. The net assets relating to the aforementioned arrangement total EUR 25,548 thousand.

Both these assets are classified as intangible as the billings are determined in accordance with the tonnes treated and, consequently, the demand risk is assumed by the concession operator.

b) Financial assets

– Urban solid waste treatment plant in Manises (Valencia). (Environmental Services).

Grant by the "Entidad Metropolitana para el Tratamiento de Residuos" to the Gestión Instalación III joint venture (in which Fomento de Construcciones y Contratas S.A. holds a 34.99% ownership 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 total EUR 25,170 thousand (31 December 2016: EUR 26,230 thousand). A fixed amount plus a variable amount per tonne treated is charged; this second component is residual. In addition, the cost of the construction services is substantially covered through the fixed charge and therefore the entire concession is considered to be a financial asset.

9 Non-current and current financial investments

a) Non-current financial investments

The detail of "Non-Current Financial Investments" at the end of 2017 and 2016 is as follows:

	Equity instruments	Loans to third parties	Derivatives (Note 12)	Other financial assets	Total
2017					
Loans and receivables	—	8,098	—	25,580	33,678
Available-for-sale financial assets	11,121	—	—	—	11,121
Held-for-trading financial assets	—	—	—	—	—
Other financial assets at fair value through profit or loss	—	—	—	2,858	2,858
	11,121	**8,098**	**—**	**28,438**	**47,657**
2016					
Loans and receivables	—	9,805	—	28,790	38,595
Available-for-sale financial assets	11,319	—	—	—	11,319
Held-for-trading financial assets	—	—	30	—	30
Other financial assets at fair value through profit or loss	—	—	—	2,858	2,858
	11,319	**9,805**	**30**	**31,648**	**52,802**

Loans and receivables

The detail, by maturity, of the loans and receivables is as follows:

	2018	2019	2020	2021	2022 and subsequent years	Total
Loans and receivables	4,178	105	113	31	29,251	33,678

The loans and receivables include basically the escrow deposit related to the sale of Global Vía Infraestructuras S.A., for EUR 17,060 thousand, for which the due date has been considered as "2022 and thereafter", given the lack of precision involved, as it is linked to the release of guarantees lodged by that company to third parties to cover financial undertakings. This heading also includes the guarantees and deposits relating to legal and contractual obligations in the pursuit of the Company's business activities, together with the amounts granted to public entities to carry out works and build facilities.

Available-for-sale financial assets

The detail at 31 December 2017 and 2016 is as follows:

	Effective percentage of ownership	Fair value
2017		
Vertederos de Residuos S.A.	16.03%	10,817
Other		304
		11,121
2016		
Vertederos de Residuos S.A.	16.03%	10,817
Other		502
		11,319

b) Current financial investments

The reduction that occurred during the year is basically due to:

- Receipt on 7 February 2017 of EUR 29,139 thousand, in consideration of the assignment of FCC S.A.'s position in the "Undertaking to Assume Debt and Capitalisation Contract" in favour of Masmóvil Phone & Internet S.A.U. resulting from the sale of Xfera shares and transfer of participatory loans (Note 1).
- Receipt, on 28 February 2017, of EUR 106,444 thousand, corresponding to the portion of the price deferred in the operation to sell the holding in Global Vía Infraestructuras S.A. (Note 1).

The sum recorded under this heading mostly corresponds to guarantees and deposits and credits to public entities.

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 2017 and 2016 is as follows:

	Cost	Accumulated impairment losses	Total
2017			
Equity instruments of Group companies	5,284,560	(2,644,397)	2,640,163
Equity instruments of associates	488,225	(255,827)	232,398
Loans to Group companies	473,269	(54,291)	418,978
Loans to associates	841	—	841
	6,246,895	**(2,954,515)**	**3,292,380**
2016			
Equity instruments of Group companies	4,502,543	(2,490,466)	2,012,077
Equity instruments of associates	488,225	(255,827)	232,398
Loans to Group companies	1,549,429	(29,546)	1,519,883
Loans to associates	841	—	841
Other financial assets	63,933	—	63,933
	6,604,971	**(2,775,839)**	**3,829,132**

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	Other financial assets	Impairment	Total
Balance at 31.12.2015	**4,502,507**	**454,305**	**1,256,195**	**27**	**100,000**	**(2,503,068)**	**3,809,966**
Additions or charge for the year	86	50,617	239,094	814	63,933	(289,195)	65,349
Disposals or reversals	(50)	(16,424)	(45,860)	—	—	16,424	(45,910)
Transfers	—	(273)	100,000	—	(100,000)	—	(273)
Balance at 31.12.2016	**4,502,543**	**488,225**	**1,549,429**	**841**	**63,933**	**(2,775,839)**	**3,829,132**
Additions or charge for the year	396,050	1,364	62,082	—	—	(188,036)	271,460
Disposals or reversals	(37,321)	(1,364)	(714,954)	—	(63,933)	9,360	(808,212)
Transfers	423,288	—	(423,288)	—	—	—	—
Balance at 31.12.2017	**5,284,560**	**488,225**	**473,269**	**841**	**—**	**(2,954,515)**	**3,292,380**

Equity instruments of Group companies

The changes in 2017 were as follows:

– Acquisition by the subsidiary FCC Construcción S.A. of all the 26,997,530 shares of FC y C S.L. Unipersonal [*Sole-Shareholder Company*] for EUR 317,900 thousand. This company manages the group's property assets.

– Capital increase at FC y C S.L., with the issue of 1,381,381 new shares with a par value of 1 euro and an issue premium of 9 euros, by means of a non-monetary contribution of property assets (valued at EUR 7,682 thousand) and shares of property companies (valued at EUR 6,132 thousand). The total sum of the increase was EUR 13,814 thousand.

– Acquisition of the holding in Costa Verde Hábitat S.L. for EUR 4,768 thousand.

– Takeover bid (for delisting) at Cementos Portland Valderrivas S.A. (CPV) under which 9,356,605 shares were acquired. The Company's direct and indirect holding in CPV was established, following the takeover bid, at 97.45%. The cost of the operation was EUR 56,364 thousand.

– Various purchases of CPV shares from minority shareholders not involved in the takeover bid; specifically, 91,708 shares were acquired for EUR 550 thousand.

– Purchase of subscription rights in the capital increase carried out at CPV, for EUR 2,643 thousand.

– Outgoings and reversals included the distribution of a share premium by FCC Aqualia S.A. (EUR 32,538 thousand).

– All the transfers were caused by the capital increase at Cementos Portland Valderrivas S.A. (CPV), which was completed on 23 July, with the issue of 85,512,698 new shares by converting subordinated loans granted by the Company in prior years. Following the increase, the effective holding stood at 99.03% of CPV's share capital.

In 2016 there were no significant movements. However, worthy of Note is the tender offer for delisting launched by Fomento de Construcciones y Contratas S.A. (FCC) on 29 July 2016 for 100% of the shares representing the capital of CPV for their exclusion from the stock markets where they were admitted for negotiation (Madrid and Bilbao). The launch of the OPA had been studied by the FCC board of directors, following a request made by the Inversora Carso S.A. de C.V. and was approved by the mentioned board on 25 May. CPV's shareholders approved the tender offer on 29 June, targeted at 10,655,503 shares (representing 20.58% of CPV's share capital) at a cash price of EUR 6 per share. The operation was authorised by the Spanish Stock Market Commission (CNMV) on 22 December, with the period for acceptance running from 30 December 2016 until 13 February 2017.

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

In 2017 both the incomings and the outgoings correspond to the acquisition and subsequent non-monetary contribution in the increase carried out at FC y C S.L., consisting of shares held by the Group in property companies (see preceding paragraph).

The most significant changes in 2016 were as follows:

– Subscription of the 63,271,533 shares to which the Company was entitled in the exercise of its pre-emption rights in the capital increase at Realia Business S.A. effected and paid up in December 2016. The increase was performed at a price of EUR 0.80 per share (EUR 0.24 par value + EUR 0.56 share premium), so a total amount of EUR 50,617 thousand.

– Return of contributions by means of the partial distribution of the issue premium of the company FM Green Power S.L., to the value of EUR 16,424 thousand. The Company proceeded to revert the accumulated impairment in this company for the same amount as the sum returned.

Long-term loans to Group companies

The most significant amounts are as follows:

	2017	2016
FCC Medio Ambiente, S.A.	136,606	136,606
FCC Versia S.A.	74,075	169,075
FCC PFI Holdings Limited	66,708	78,425
Kent Enviropower Limited	46,056	—
Enviropower Investments Limited	45,971	44,972
FCC Ámbito S.A. Sole-Shareholder Company	44,646	44,646
Dédalo Patrimonial, S.L. Sole-Shareholder Company	18,410	5,083
Cementos Portland Valderrivas, S.A.	—	423,289
FCC Aqualia, S.A.	—	362,815
FCC Construcción, S.A.	—	126,976
FCC Industrial e Infraestructuras Energéticas S.A.	—	34,386
Serviá Cantó S.A.	—	10,700
Mantenimiento de Infraestructuras S.A.	—	10,000
Other	40,797	102,456
	473,269	**1,549,429**
Net impairment losses:		
FCC Versia, S.A.	(40,214)	(29,546)
Dédalo Patrimonial, S.L. Sole-Shareholder Company	(14,077)	—
	418,978	**1,519,883**

In 2017 the following relevant movements took place:

– Cancellation by FCC Construcción S.A. of loans resulting from the refinancing process between FCC S.A. and the companies FCC Construcción S.A., FCC Industrial e Infraestructuras Energéticas S.A., Serviá Cantó S.A., Mantenimiento de Infraestructuras S.A. and other member companies of the Construction area, totalling EUR 220,492 thousand, basically using funds obtained by FCC Construcción S.A. from the sale of shares of FC y C S.L. (see preceding section on "Equity instruments of Group companies").

– Cancellations by FCC Aqualia S.A. using funds obtained from bond issues, of all loans, including the participatory loan granted by FCC S.A. to FCC Aqualia S.A. and its subsidiaries. The total sum repaid is EUR 385,773 thousand.

– Cancellation of subordinated loans granted by the Company to Cementos Portland Valderrivas S.A., by converting its capital increase into shares (EUR 423,289 thousand).

– Repayment of the ordinary loan granted to FCC Versia S.A. (EUR 95 thousand).

– Loan to Kent Enviropower Limited following the Company's purchase of that company's bank debt in July 2017. The sum outstanding as at 31 December was EUR 46,056 thousand, accruing interest at Libor plus a margin of 2.375%.

– Increase in the sum of credit granted to Dédalo Patrimonial S.L. Unipersonal [*Sole-Shareholder Company*] by EUR 13,327 thousand. Some of the total credit granted (EUR 14,077 thousand) has also been impaired.

– Impairment of credits granted to FCC Versia S.A. totalling EUR 10,668 thousand.

The balance as at 31 December 2017 includes:

– Loans arising from the refinancing process. Under the refinancing agreements described in Note 15, 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. Following the repayments mentioned in the preceding section, the only remaining loans from that source are those granted to subsidiaries in the Environmental Services Area and to FCC Versia S.A. These loans total EUR 236,561 thousand, (31 December 2016: EUR 689,076 thousand) the detail being as follows:

	2017	2016
FCC Medio Ambiente, S.A.	136,606	136,606
FCC Ámbito S.A.	44,646	44,646
FCC Versia S.A.	29,075	29,075
FCC Aqualia, S.A.	—	209,063
FCC Construcción, S.A.	—	126,976
FCC Industrial e Infraestructuras Energéticas S.A.	—	34,386
Servià Cantó S.A.	—	10,700
Mantenimiento de Infraestructuras S.A.	—	10,000
Other	26,234	87,624
	236,561	**689,076**

The interest rate to apply is the effective rate assumed by Fomento de Construcciones y Contratas S.A. in the refinancing.

– Participatory loan of EUR 45.000 thousand to FCC Versia S.A. by transformation of an ordinary loan on 25 November 2015. The established due date, 31 January 2018, may tacitly be extended for further two-year periods, provided that the contract is not terminated by either of the parties with at least two months' notice. As no such notice had been given at the time of preparing these financial statements, the current due date is 31 January 2020. It has therefore been classified under non-current assets on the enclosed balance sheet as at 31 December 2017. On 1 January 2017 amending and non-terminating renewal was agreed in respect of the contract that changed the fixed part of the interest rate to 1%. The interest rate also has a variable part, calculated according to indicators of the borrower's profitability. This loan is impaired by EUR 40,214 thousand as at 31 December 2017 (31 December 2016: EUR 29,546 thousand).

The other loans relate to amounts granted to Group companies that mature in more than one year and earn interest at market rates.

Net impairment losses

The most significant changes in 2017 detailed in the foregoing table were as follows:

- Impairment of EUR 163 million of the investment in FCC Construcción S.A. in 2017 (31 December 2016: EUR 96 million). Impairment has been calculated as the difference between the value of the carrying amount of Fomento de Construcciones y Contratas S.A. and the recoverable value, considering as the best evidence of the latter the consolidated equity corrected by any tacit gains, basically in certain concession assets included on the balance sheet.
- In 2016 the investment in Cementos Portland Valderrivas S.A. was impaired by EUR 170 million. Impairment at FM Green Power S.L. was also reversed (EUR 16 million).

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:

	2017	2016
Azincourt Investments S.L. Sole-Shareholder Company	107,231	101,161
FCC Environment (UK) Ltd.	28,515	28,894
FCC-PFI Holding Group	18,561	16,570
FCC Medio Ambiente, S.A.	7,411	7,417
FCC Aqualia, S.A.	3,781	26,340
FCC Construcción, S.A.	—	13,036
Other	22,948	23,580
	188,447	**216,998**

The most significant reductions correspond to companies that amortised their credit positions, i.e., FCC Construcción S.A. and FCC Aqualia S.A.

These loans mature annually and earn interest at market rates.

c) Other non-current financial assets

Under the agreement to restructure the financial debt of Cementos Portland Valderrivas S.A. (CPV), the Company has acquired the contingent undertaking, linked to the evolution of CPV's business, to contribute a variable sum not to exceed EUR 100,000 thousand (Note 10.d) In these financial statements the 2016 figures have been re-expressed in order to record the assets and liabilities related to the acquisition of the shares affected by the takeover bid for Cementos Portland Valderrivas S.A., totalling EUR 63,933 thousand (Notes 1, 2 and 10.a). These were cancelled in 2017 as the effective acquisition of the shares had been completed.

d) Non-current payables to Group companies and associates

In 2017 two subordinated-loan contracts were entered into between Fomento de Construcciones y Contratas S.A. (lender) and FCC Aqualia S.A. (borrower):

- Loan of EUR 90,174 thousand, due in 20 years or earlier, once the financial obligations under the syndicated loan have been amortised or cancelled. Interest accrues at an annual rate of 2.30%, capitalised to the principal of the loan.
- Loan of EUR 425,668 thousand, due in 12 years. Interest accrues at an annual rate of 2.30%, capitalised to the principal of the loan until the fifth year, after which interest is to be paid at the end of each interest period.

During the year the above loans have accrued interest totalling EUR 5,990 thousand.

As mentioned in note 10.c, the Company has acquired a new contingent undertaking, linked to how the business of Cementos Portland Valderrivas S.A. progresses, plus a variable sum that will not be greater than EUR 100,000 thousand. Given their contingent nature, neither these liabilities nor the linked assets (Note 10.c) are recorded on the attached balance sheet.

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:

	2017	2016
Asesoría Financiera y de Gestión, S.A.	307,912	410,661
Per Gestora Inmobiliaria, S.L.	49,675	49,602
Ecoparque Mancomunidad del Este, S.A.	19,737	29,717
FCC Medio Ambiente, S.A.	53,957	27,299
Fedemes S.L.	17,311	20,992
Sistemas y Vehículos de Alta Tecnología, S.A.	14,969	13,474
Cementos Portland Valderrivas, S.A.	14,212	8,493
FCC Construcción, S.A.	20,285	5,612
Other	34,323	18,351
	532,381	**584,201**

The most significant movement in 2017 was the reduction of the debt with the subsidiary Asesoría Financiera y de Gestión S.A. derived from cash pooling for EUR 102,749 thousand. In 2015 cash-pooling contracts were entered into between that company and FCC Group companies, including the parent, Fomento de Construcciones y Contratas S.A., such that financial movements would be channelled through that subsidiary.

11 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.

	2017	2016
Production billed not yet collected	203,301	147,056
Unbilled production	143,836	139,416
Trade receivables for sales and services	347,137	286,472
Customer advances	(12,287)	(14,423)
Total trade receivables, net	**334,850**	**272,049**

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 mostly includes the estimate of work completed and billed each month, totalling EUR 62,804 thousand, and price reviews covered by the terms and conditions of different contracts pending approval that the Company considers to be certain to be accepted and eventually billable, totalling EUR 58,232 thousand.

The Company has the capacity to finance itself should it need working capital through the factoring of 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 2017 year-end in this connection amounted to EUR 110,102 thousand (31 December 2016: EUR 200,771 thousand).

Of the net balance of trade receivables, EUR 59,500 thousand (31 December 2016: EUR 58,702 thousand) relate to balances from contracts performed through joint ventures.

Past due trade receivables not provided for by the Company amounted to EUR 173,839 thousand at 31 December 2017 (31 December 2016: EUR 218,022 thousand). It should be noted that this constitutes all of the Group's past due assets, as there are no significant past due financial assets. All matured balances that have not been settled by the counterparty are considered to be past due. However, it should be taken into account that, although certain assets are past due, there is no default risk, as most are public-sector customers from which the corresponding late-payment interest arising from collection delays may be claimed. In general, except in the case of certain receivables from Spanish Municipal Councils, there are no significant balances more than one year old which have not been written down.

12 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 15)	Impact on equity	Impact on the income statement
2017				
Hedging derivatives	–	1,384	(935)	12
Other derivatives	5	–		(25)
	5	1,384	(935)	(13)
2016				
Hedging derivatives	–	2,393	(1,683)	49
Other derivatives	30	–	–	(1,786)
	30	**2,393**	**(1,683)**	**(1,737)**

Hedging derivatives

Following is a detail of the hedging derivatives arranged by the Company for 2017 and 2016, 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.

Hedged transaction	Type of derivative	Amount arranged	Expiry	Fair value: Assets	Fair value: Liabilities	Impact on equity	Impact on the income statement
2017							
Other payables (Note 15.b)	IRS	10,931	2/4/24	—	1,367	(942)	10
	IRS	4,156	2/4/24	—	17	7	2
Total					**1,384**	**(935)**	**12**

Hedged transaction	Type of derivative	Amount arranged	Expiry	Fair value: Assets	Fair value: Liabilities	Impact on equity	Impact on the income statement
2016							
Other payables (Note 15.b)	IRS	7,836	2/4/24	—	1,138	(800)	23
	IRS	3,918	2/4/24	—	569	(400)	12
	IRS	2,511	2/4/24	—	365	(256)	7
	IRS	2,212	2/4/24	—	321	(227)	7
Total					**2,393**	**(1,683)**	**49**

The detail, by maturity, of the notional amount of the hedging transactions arranged at 31 December 2017 is as follows:

	Notional maturity				
	2018	2019	2020	2021	2022 and subsequent years
IRS (Other payables)	1.154	1.166	1.109	1.154	10.504

Other derivatives

Following is the detail for 2017 and 2016 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":

				Valor razonable		
	Type of derivative	Amount arranged	Expiry	Assets	Liabilities	Impact on the income statement
2017						
Convertible bonds (Note 15.a)	TriggerCall	30,250	31/10/18	5	—	(25)
				5	—	(25)

				Valor razonable		
	Type of derivative	Amount arranged	Expiry	Assets	Liabilities	Impact on the income statement
2016						
Convertible bonds (Note 15.a)	TriggerCall	32,200	30/10/20	30	—	(1,786)
				30	—	(1,786)

13 Equity

On 4 March 2016 the public deed was recorded at the Barcelona Commercial Registry in respect of the increase of the capital of Fomento de Construcciones y Contratas, S.A., as agreed by the board of directors on 17 December 2015, in the framework of the authorisation granted by the shareholders at the Annual General Meeting held on 25 June 2015 (up to 50% increase). This capital increase was effected with monetary contributions for a total cash amount of EUR 709,518,762 by issuing 118,253,127 new ordinary shares for a unit price of EUR 6 (par value of EUR 1), which were admitted to listing on the Spanish Stock Market Interconnection System on 7 March 2016. The increase was effected with a share premium of EUR 5 per share issued, resulting in an increase in the share premium of EUR 589,595 thousand after deducting the costs of the increase after tax (EUR 1,671 thousand).

The funds obtained from the capital increase have been used in part for the discounted buy-back (Dutch auction) of debt corresponding to Tranche B of the financial debt of Fomento de Construcciones y Contratas S.A., as regulated under the refinancing contract, totalling EUR 386,443 thousand after deducting a haircut of EUR 58,082 thousand. Also, EUR 289,495 thousand was allocated to financially supporting the subsidiary Cementos Portland Valderrivas S.A., with the remainder being used for corporate purposes, including the exercise of the preference subscription right for capital increases at Realia Business S.A. (EUR 87,301 thousand).

The details of the impact on equity of the capital increase of Fomento de Construcciones y Contratas S.A. are shown in the following chart:

Share capital increase	118,253
Share capital	**118,253**
Issue premium increase	591,266
Extension expenses after tax	(1,671)
Share Premium	**589,595**
Profit from haircut	58,082
Tax effect	(14,521)
Year's profit (loss)	**43,561**
Total impact on equity	751,409

a) Share capital

The share capital of Fomento de Construcciones y Contratas S.A. consists of 378,825,506 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 (Ongoing Market).

With regard to share capital of over 10% owned by other companies either directly or through their subsidiaries, according to information furnished, Inversora Carso S.A. de C.V., which is in turn controlled by the Slim family, had a 61.11% ownership interest in the share capital directly or indirectly at the date of authorisation for issue of these financial statements. Samede Inversiones 2010 S.L. also has an indirect ownership interest of 15.44% in the share capital and the company Nueva Samede 2016 S.L.U. Nueva Samede) holds a direct stake of 4.53%, these two companies are controlled by Esther Koplowitz Romero de Juseu (100%).

Ms Esther Koplowitz Romero de Juseu also directly owns 123,313 shares of Fomento de Construcciones y Contratas S.A.

On 27 November 2014, the two main shareholders signed the “Investment Agreement” whereby both parties undertook not to increase their individual ownership interest in Fomento de Construcciones y Contratas S.A. to above 29.99% of the voting share capital for a period of four years. Subsequently, on 5 February 2016, the aforementioned shareholders signed an amended, non-terminating renewal contract in respect of the agreement. The main features of this renewal were as follows:

- The inclusion of Nueva Samede, a company associated with Esther Koplowitz Romero de Juseu, in the agreement, as a new shareholder of Fomento de Construcciones y Contratas S.A. (FCC) following the new capital increase.
- Amendment of FCC’s corporate governance arrangements regarding share transfers in the event that, as a result of the new capital increase and subscription undertaking Control Empresarial de Capitales S.A. de C.V. (CEC) and/or the Guarantor, Inversora Carso S.A. de C.V. (Carso) should exceed 29.99% of the capital with voting rights or should acquire control of FCC, and the elimination of the provision regarding the parties’ maximum stakes in the Company’s capital.
- Amendments to FCC’s articles of association and the make-up of the board of directors, if CEC and/or Carso should reach a percentage of voting rights that is equal to or greater than 30% or should in any other way acquire control of the Company.

Also, on 5 February 2016, Esther Koplowitz Romero de Juseu, Dominum Dirección y Gestión S.A. and Nueva Samede 2016 S.L.U entered into an agreement for the “Sale and Purchase of Subscription Rights in the New Capital Increase and Other Supplementary Agreements”. The main features of this agreement referred to: (i) establishing the terms and conditions to govern the transfer of preference subscription rights in the capital increase effected by Esther Koplowitz and Dominum Dirección y Gestión S.A. to Nueva Samede S.L.U.; (ii) the subsequent exercise of those rights by Nueva Samede; and (iii) regulation of the undertaking made by Carso (as the financier) to finance Nueva Samede in the acquisition of the preference subscription rights and paying-up of the shares resulting from the capital increase.

On 4 March 2016 CEC announced the launch of an OPA for Fomento de Construcciones y Contratas S.A., as its parent, Carso, achieved a percentage of directly or indirectly attributable voting rights of 36.595% (29.558% owned and 7.036% by attribution of Nueva Samede’s holding). The bid referred to 100% of the Company’s share capital at a price of EUR 7.6 per share. The request was filed at the Spanish Stock Market Commission (CNMV) on 5 April 2016 and accepted for processing by the CNMV on 18 April 2016. Finally, on 22 July 2016, the CNMV communicated that the OPA was accepted for 97,211,135 shares, representing 25.66% of the share capital (48.30% of the shares targeted).

On 1 July 2016 the transfer from Nueva Samede to Carso of 9,454,167 ordinary shares of Fomento de Construcciones y Contratas S.A. was completed, representing 2.496% of its share capital. The price was EUR 6.4782 per share, making the effective total of the transaction EUR 61,245,984.70.

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 2017 and 2016 is as follows:

	2017	2016
Legal reserve	26,114	26,114
Other reserves	927,742	927,053
	953,856	**953,167**

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

The changes in treasury shares in 2017 and 2016 were as follows:

Balance at 31 December 2015	**(5,503)**
Sales	–
Acquisitions	–
Balance at 31 December 2016	**(5,503)**
Sales	1,256
Acquisitions	(180)
Balance at 31 December 2017	**(4,427)**

The detail of the treasury shares at 31 December 2017 and 2016 is as follows:

2017		2016	
Number of shares	Amount	Number of shares	Amount
230,100	(4,427)	415,500	(5,503)

At 31 December 2017, the shares of the Company represented 0.06% of the share capital (31 December 2016: 0.11%).

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 (Note 15.a).

f) Valuation adjustments

The detail of “Valuation Adjustments” is as follows:

	2017	2016
Available-for-sale financial assets (Note 9)	9,710	9,710
Hedges (Note 12)	(935)	(1,683)
	8,775	8,027

g) Grants

The movements in non-returnable capital subsidies were as follows:

	Balance at beginning of year	Additions net of tax impact	Transfers to profit or loss and gains net of tax impact	Other variations	Balance at year end
2017	714	41	(138)	—	617
2016	1,370	141	(118)	(679)	714

The aforementioned amount relates mainly to grants received by the joint ventures through which the Company jointly performs contracts.

In 2016 the decrease recorded under “other variations” was entirely due to the assignment of a 49% stake in the Aqualia–FCC–Vigo JV to the other partner, the wholly owned subsidiary FCC Aqualia S.A.

14 Non-current provisions

The changes in 2017 were as follows:

	Actions on infra-structure	Litigation	Liability and contin-gencies	Guarantees and contractual and legal obligations	Other	Total
Balance at 31.12.2015	10,723	1,280	196,959	91,436	12,417	312,815
Charge for the year	1,113	36	26,864	4,068	4,178	36,259
Amounts used	(10)	(553)	(976)	(5,019)	(1,081)	(7,639)
Reversals	(2,011)	(282)	(12,575)	(19,514)	(121)	(34,503)
Transfers	—	2,112	(1,543)	5,552	(5,552)	569
Balance at 31.12.2016	9,815	2,593	208,729	76,523	9,841	307,501
Charge for the year	28,199	25	28,213	8,738	5,419	70,594
Amounts used	(2,666)	(66)	(71,494)	(3,798)	(714)	(78,738)
Reversals	—	(5)	(429)	(1,566)	(5,544)	(7,544)
Transfers	—	75,000	(43,960)	(31,040)	—	—
Balance at 31.12.2017	35,348	77,547	121,059	48,857	9,002	291,813

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 (Note 4.a). In 2017 provisions were activated for the adaptation and improvement of the municipal solid waste treatment plant in Granada province, totalling EUR 25,548 thousand.

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, mostly including EUR 75,000 thousand, until 31 December 2016 classified as provisions for liabilities and contingencies, guarantees and contractual and legal obligations, included to challenge the sale of Alpine Energie. With regard to the bankruptcy process of the Alpine subgroup, which is legally dependent on FCC Construcción S.A., there have been no significant changes from what was reported in the 2016 financial statements. The following paragraphs describe the situation in greater detail.

In 2006 the FCC Group acquired an absolute majority interest in Alpine Holding GmbH ("AH"), and in the process indirect control of its operating subsidiary Alpine Bau GmbH ("AB").

On 19 June 2013 AB filed for insolvency at Vienna commercial court, making a retrenchment proposal under court-ordered administration proceedings. After the court-appointed administrator found the retrenchment proposal not to be viable, he moved for the company to be closed and declared bankrupt, a motion that the court accepted on 25 June 2013, thus beginning the official liquidation process. As a result of the bankruptcy of AB, its parent, AH, filed a petition for administration before the commercial court, applying for a declaration of bankruptcy on 28 June 2013. This application was accepted on 2 July 2013.

The direct consequence of both these proceedings for the official liquidation proceedings of these subsidiaries of FCC Construcción S.A. is that the latter loses control of the Alpine group, interrupting its consolidation.

At the time of preparing these financial statements, the administrators in the respective official liquidation proceedings have reported recorded liabilities of approximately EUR 1,669 million at AB and EUR 550 million at AH.

In September 2014, the firm BDO Financial Advisory Services GmbH, at the request of the administrators of AH and AB, issued a report according to which AB would have been insolvent since at least October 2010.

In July 2015 the court processing the AB bankruptcy accepted the administrator's application to commission the preparation of a report to determine the date when AB's debt became untenable for the purposes of the administration proceedings. The expert appointed was Mr Schima, who, based on the report by BDO, a company where he is a partner, reached the same conclusions, finding that AB would have been insolvent since October 2010. In view of these conclusions drawn by the administrators and applied in various court proceedings since, further expert reports were issued in different proceedings, including those by Mr Konecny for the anti-corruption prosecutor's office, AKKT for the banks, Rohatschek for Deloitte Audit Wirtschaftsprüfungs GmbH, and E&Y for FCC, all of which differ from the conclusions drawn by BDO/Schima. In particular, in October 2017, the prosecutors' expert issued his fourth and final report; the reports by the accounting expert concludes that (i) it cannot be said that there was any fraud in the individual financial statements of AB and AH and consolidated statements of AH, and (ii) the final insolvency date for AB and AH was 18 June 2013.

In 2010, 2011 and 2012, AH carried out three bond issues with a joint nominal value of EUR 290 million, accepted for trading on the Luxembourg and Vienna stock exchanges. AH, as the issuer of the bonds, and its directors and monitoring-council members may be subject to liability towards the bondholders for claims for damages if the court's final decision finds the information contained in the corresponding issue brochure to have been incorrect, incomplete or based on false data.

In the framework of the insolvency of the Alpine group, the Central Economic Offences and Corruption Prosecutor's Office (*Wirtschafts- und Korruptions-Staatsanwaltschaft*) launched a criminal investigation in July 2013. To date, 380 claimants have joined the proceedings as private plaintiffs (*Privatbeteiligte)*, claiming damages totalling EUR 350 million plus legal interest.

As these financial statements were being prepared, the prosecutors were in the process of investigating more than 25 persons (both natural and bodies corporate) in connection with the commission of crimes related to the Alpine group's tenders, specifically the alleged crimes of negligent insolvency and false accounting in respect of the Alpine group's financial statements.

Pursuant to the provisions for the criminal liability of bodies corporate under Austrian criminal law (Verbandsverantwortlichkeitsgesetz), if a court issues a final judgment finding Fomento de Construcciones y Contratas S.A. or FCC Construcción S.A., as the parents of AB and AH, to be criminally liable, because they are considered to be de facto directors, the former bondholders or other creditors suffering damages by those companies may file claims for damages against Fomento de Construcciones y Contratas S.A. or FCC Construcción S.A., under the aforementioned protection rules (Schutzgesetze). Also, finding any Group entities to be criminally liable would go hand in hand with a prohibition from participating in any further public tender processes in Austria.

As a result of these insolvency proceedings, as at 31 December 2017, the FCC Group had recognised provisions in relation to the Alpine subgroup amounting to EUR 125,437 thousand in order to cover the contingencies and liability arising of the bankruptcies of AH and AB. 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	50,437
Total	**125,437**

The provision for the challenge to the sale of Alpine Energie Holding AG amounting to EUR 75 thousand covers the risk relating with the filing for retroactive application made by the administrator 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.

With regard to the sale of Alpine Energie Holding AG, in the framework of the investigation of alleged asset-stripping, the expert appointed by the prosecutor's office essentially concluded in October 2015 that the sale of Alpine Energie Holding AG (i) did not constitute asset-stripping and (ii) caused no harm or damage to AB; and (iii) that the sale conditions were consistent with market conditions at the time. The Anti-Corruption and Economic Offences Prosecutor's Office has fully accepted the criteria set forth in the expert report, agreeing to close part of the investigation, with regard to the alleged asset-stripping, in November 2016.

FCC Construcción S.A. lodged corporate guarantees in order for AB and some of its operating subsidiaries to be able to tender for and win contracts for works; now, four and a half years after the bankruptcy, the risk of these guarantees being executed has lessened. In addition, in the ordinary course of its business activities, the FCC Group generated accounts receivable from the Alpine group, 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 50,437 thousand on the liability side of its consolidated balance sheet.

Since the bankruptcy of AH and AB to date, the following actions have been brought against the FCC Group and directors of AH and AB:

- **Preliminary investigation 19 St 43/13y-1 by the Anti-Corruption and Economic Offences Prosecutor's Office:**
  - 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 Alpe 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.
  - In November 2016, the prosecutor's office decided to close the investigations of alleged asset-stripping in the sale of Alpine Energie Holding AG, considering that the facts accredited did not constitute that criminal offence.
  - In October 2017, the prosecutor's expert issued his fourth and final report; the reports by the accounting expert concluded that (i) no fraud can be said to have been committed in the individual financial statements of AB and AH and the consolidated statements of AH, and (ii) the final insolvency date of AB and AH was 18 June 2013.
- **Civil and commercial proceedings**
  - Petition for retroactive application filed by the administrator of Alpine Bau GmbH on 11 June 2014 against FCC and two group subsidiaries, Asesoría Financiera y de Gestión S.A. and BVEFDOMINTAENA Beteiligungsverwaltung GmbH, as joint and several liable parties, challenging the sale of shares of Alpine Energie Holding AG to the latter subsidiary. The administrator is not claiming the return of Alpine Energie Holding AG to the scope of the bankruptcy but rather a payment of EUR 75 million plus interest. The proceedings are still at the evidentiary stage

– In 2014 two bondholders filed two civil claims against FCC Construcción S.A. and a Director for EUR 12 thousand and EUR 506 thousand. In October 2016 notice was given of another law suit, filed three years previously, claiming EUR 23 thousand. These three proceedings were suspended pending the findings of the report by the anti-corruption prosecutor's expert. That report has now been issued, seeking the continuance of the first of the proceedings.

– The insolvency managers of Alpine Holding filed a claim of EUR 186 million against FCC Construcción S.A. as it considers that this company 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 its subsidiary Alpine Bau GmbH without the necessary guarantees and through alleged control FCC Construcción S.A. The proceedings, which began with notice of the action in April 2015, were declared by the court to be "heard and pending judgment" in November 2017.

– In April 2017 a member company of the FCC Group, Asesoría Financiera y de Gestión S.A., received a writ in which the administrator lodged a claim for payment by the CFO of de Alpine Bau GmbH and Asesoría Financiera y de Gestión S.A., jointly and severally, of the sum of EUR 19 million for alleged infringements of company and insolvency law, understanding that Alpine Bau GmbH, on lodging a deposit at Asesoría Financiera y de Gestión S.A., had made payments charged to its own resources (a return of capital), which is forbidden by law. The proceedings are at the evidence-hearing stage and the court has appointed an expert.

– Also in April 2017, a former employee of FCC and also a former director of AH and AB received a writ issued by the administrator of Alpine Bau GmbH claiming EUR 72 million for alleged harm to the bankruptcy group caused by alleged liable delays when filing for insolvency.

The FCC Group has recorded provisions to cover the probable risks in connection with certain of these lawsuits. In relation to the remainder of the lawsuits, the FCC Group and its legal advisers do not consider it likely that there will be any future cash outflows and, prior to the issue of the next report, therefore, no provision has been recognised in this connection as the Group considers that they are contingent liabilities (Note 19).

Provision for liabilities

These cover risks to which the Company may be exposed because of its business but are not covered by other categories. They include risks derived from international growth as well as tax risks. In 2017 the Company has made provisions totalling EUR 34,484 thousand for tax cases. On 10 October 2017 investigations by the tax authority regarding Corporation Tax for tax group 18/89 over the 2010–2012 period, headed by Fomento de Construcciones y Contratas S.A., resulted in a payable sum of EUR 34,484 thousand, including quota and penalty interest. The impact of this sum on the cash-flow statement has not been particularly significant, because payment of a considerable portion of it has been deferred (Note 16.a). Applications have also been made for EUR 35,835 thousand in respect of guarantees that remained lodged

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.

15 Non-current and current payables

The detail of "Non-Current Payables" and "Current Payables" is as follows:

	Non-current	Current
2017		
Debt instruments and other marketable securities	—	30,578
Bank borrowings	1,797,420	264,318
Obligations under finance leases	30,640	14,759
Derivatives (Note 12)	1,247	137
Other financial liabilities	5,481	14,209
	1,834,788	**324,001**
2016		
Debt instruments and other marketable securities	32,200	348
Bank borrowings	3,082,785	231,838
Obligations under finance leases	16,542	10,417
Derivatives (Note 12)	2,244	149
Other financial liabilities (*)	5,878	111,791
	3,139,649	**354,543**

(*) The 2016 figure has been re-expressed, adding EUR 63,933 thousand to record the debt related to the public tender to acquire shares of Cementos Portland Valderrivas S.A. (Note 2).

The detail, by maturity, of "Non-Current Payables" is as follows:

	Maturity					
	2019	2020	2021	2022	2023 and subsequent years	Total
Bank borrowings	191,410	165,808	218,064	1,210,792	11,346	1,797,420
Obligations under finance leases	14,361	10,460	4,617	1,202	—	30,640
Derivatives	115	115	115	115	787	1,247
Other financial liabilities	1,562	1,141	1,106	505	1,167	5,481
	207,448	**177,524**	**223,902**	**1,212,614**	**13,300**	**1,834,788**

a) Non-current and current debt instruments and other marketable securities

On 30 October 2009 Fomento de Construcciones y Contratas S.A. issued convertible bonds totalling EUR 450,000 thousand for international institutional investors. Certain terms and conditions were amended and approved by the General Assembly of the Syndicate of Bondholders in 5 May 2014. The main characteristics following the changes are as follows:

- The final due date is 30 October 2020.
- The bonds accrue interest at a fixed annual rate of 6.50% payable every six months.
- The price for which the bonds could be exchanged for shares of the Company is established at EUR 21.50 per ordinary share, resulting in each nominal amount of EUR 50 thousand in bonds entitling the owner to receive 2,325.58 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.
- A new case of optional repayment for the issuer from 30 October 2018 is included.

The changes made to the board of directors of Fomento de Construcciones y Contratas S.A. in 2016 and capital operations carried out led to a change in effective control, with Inversora Carso securing a majority holding of the capital. This situation, under the terms and conditions of the Convertible Bond, triggered a Put Period of 60 working days in which each individual bondholder had the right to ask the Company to return the principal of the bond (EUR 50,000 per bond) plus interest accrued since the payment date of the last coupon (30 April 2016). On the expiry of this period, which ran from 30 June until 29 August, 92.7% of the bondholders exercised this right, with the consequent cancellation of the convertible bond by the same proportion.

The sum of bonds amortised in 2017 is EUR 1,950 thousand (2016: EUR 417,600 thousand). The book balance as at 31 December 2017 shown under this heading is EUR 30,578 thousand (31 December 2016: EUR 32,548 thousand), including EUR 328 thousand in outstanding accrued interest (31 December 2016: EUR 348 thousand). As at 31 December 2017 this sum is classified as current, owing to the intention to exercise the right of advance repayment provided under the main characteristics. These bonds traded at 102.4% of par at 31 December 2017 according to Bloomberg.

With regard to the issue of convertible bonds, we it should also be noted that the Company's purchase option enabling the bonds to be repurchased in certain circumstances (Trigger Call) was valued as at 31 December 2017 at EUR 5 thousand (31 December 2016: EUR 30 thousand) (Note 12).

b) Non-current and current bank borrowings

During the first few months of 2017, in the context of refinancing the corporate debt of Fomento de Construcciones y Contratas S.A., an agreement was reached with all the financial creditors to refinance much of the debt under the previous refinancing contract, in effect since 26 June 2014, the terms and conditions of which are explained in detail in note 16.b of the 2016 financial statements.

On 28 February 2017 the process to sign the contracts for the refinancing of the Group's syndicated debt was completed, with all the affective credit entities being involved. All the suspension conditions to which their effectiveness was subject were met by 8 June.

The refinancing process completed in 2017 involved completely renewing the existing financing by replacing it with a new long-term credit facility for the Company, as the parent of the FCC Group together with certain dependent companies, with the group of companies headed by FCC Aqualia ceasing to be a bound party. In accordance with the relevant accounting rules, this renewal has resulted in no substantial changes to the conditions of the loan.

The main characteristics of the refinancing are:

- **Amount:** The total outstanding sum as at 31 December 2017 is EUR 2,004 million.
  This sum replaces the debt under the previous financing contract, with a repayable sum of EUR 3,237.4 million, following the advance repayment of EUR 1,068.8 million (including full cancellation of the tranche convertible into shares of Fomento de Construcciones y Contratas S.A. and the warrants associated with this convertible tranche).

  At the time of closing the refinancing agreement, as established under the financing contract, the funds corresponding to the sales of Xfera and Global Vía — EUR 29.1 million and 106.4 million, respectively — were allocated to the advance repayment of tranche A. Following this operation, the sum of the principal renewed was EUR 2,033.1 million.

  The principal as at 31 December 2017 is EUR 2,004 million, after making the first repayment of EUR 29.1 million under the repayment schedule for the new financing contract.
- **Tranches:** The new debt is split into four tranches, three of which (A, B and C) are commercial loans for initial sums of EUR 288.1 million, EUR 1,455.5 million and EUR 125 million, respectively; plus, a final tranche (D) (tranche D) represented by a revolving loan of EUR 300 million.
- **Maturity:** Tranches A, B and D mature in five years and tranche C in 18 months.
- **Interest rate:** The interest rate fixed for all tranches is Euribor plus a 2.3% differential, which may be reduced to 2% of certain contractual requirements are met.

- **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 with certain exceptions detailed in the contract; 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 and (ii) the sale of all or a substantial portion of the assets or businesses within the refinancing scope.
- **Cases of mandatory partial early repayment.** Among other cases, the Financing Agreement provides for the obligation to repay, early and partially, the outstanding principal using (i) 50% of the cash sum from monetary capital increases with certain exceptions detailed in the contract; (ii) the net funds deposited by the Company as a result of subscribing subordinated debt to restore financial ratios (equity cure); and (iii) proceeds from insurance indemnity payments and the sale of assets, subsidiaries and businesses, except under certain circumstances.
- **Financial ratios and other borrower obligations.** The Financing Agreement is subject to the achievement of certain annual financial ratios relating to the Fomento de Construcciones y Contratas, S.A. refinancing scope, the non-achievement of which may trigger a case for early repayment. The financial ratios will also be measured on 30 June each year, for information purposes only. As at 31 December 2017 these ratios are met and are also expected to be met as at 31 December 2018.
- **Guarantees.** The refinancing documents include personal guarantees by a substantial number of the companies within the refinanced scope, conserving their real guarantees of a large portion of the Group's credit assets and rights.

Financial Stability Framework Agreement

As a supplement to the main refinancing agreement, a Framework Financial Stability Contract was entered into, renewing the one in effect since 2014 and regulating such matters as the financial operations necessary for day-to-day business, national and international guarantees totalling EUR 1.481 million with a five-year term, and the undertaking to defer the debt of subsidiaries, as these are defined under the refinancing contract.

Syndicated international guarantee facility

In addition, a contract was entered into to renew the 2014 International Syndicated Guarantee Arrangements (EUR 116 million and a five-year term).

Cementos Portland Valderrivas Support Agreement

As part of the CPV refinancing process completed in 2016, FCC assumed a new contingent undertaking, known as a "Support Agreement", between FCC S.A. and Cementos Portland Valderrivas S.A., linked to how CPV's business progresses, for a variable sum of not greater than EUR 100 million.

Finally, there are bilateral loans/credit facilities totalling EUR 34,856 thousand (31 December 2016: EUR 41,780 thousand).

At year-end the long- and short-term financing granted to the Company by banks had a limit of EUR 2,039,172 thousand (31 December 2016: EUR 3,260,301 thousand), which had almost been drawn down in full at 31 December 2017 and 2016, 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.

16 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” (Note 18.a) include the deferral of the Corporation Tax debt of tax group 18/89 for the 2010–2012 periods, as authorised by the Large Taxpayers Central Office of the State Tax Agency. This deferment establishes monthly repayments until June 2019 at the latest, at an interest rate of 3.75%.

The detail of the aforementioned deferred payments is as follows:

	2017	2016
Non-current	4,628	–
Current	22,989	1,254
	27,617	1,254

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 January 2016 implementing Final Provision Two of Law 31/2015, of 3 December, which amends Additional Provision Three of Law 15/2010, of 5 July, on combating late payment in commercial transactions, it should be noted with respect to 2017 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 in commercial transactions.

It is important to Note that the provisions of Article 228.5 of the current Consolidated Public-Sector Contracts Law (“TRLCSP”), were applied to agreements and supplies with third parties arising from contracts 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 2017.

The Company’s supplier payment policy described in the two preceding paragraphs is thus supported by a) payments to suppliers under agreements entered into by the Company with the public authorities in accordance with the requirements of Article 228.5 of the TRLCSP; 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. 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 addition, the Company has entered into reverse factoring and similar agreements with various financial institutions in order to facilitate early payment to its suppliers, under which the supplier may exercise its collection right vis-á-vis the Company, obtaining the amount billed less the discount finance costs and fees applied by the aforementioned entities. The facilities arranged total EUR 2,549 thousand, almost all of which had been made available as at 31 December 2017. The aforementioned agreements do not modify the main payment conditions contained therein (interest rate, term or amount) and, therefore, they remain classified as trade payables.

In compliance with the aforementioned Resolution, the following table provides information on the average period of payment to suppliers for those commercial transactions which have accrued since the date of entry into force of the aforementioned Law 31/2014, i.e. 24 December 2014:

	2017	2016
	Días	Días
Average period of payment to suppliers	94	95
Ratio of transactions settled	99	98
Ratio of transactions not yet settled	73	84
	Importe	Importe
Total payments made	331,864	302,151
Total payments outstanding	80,506	80,182

17 Information on the nature and risks of financial instruments

The concept of financial risk refers to the changes in the financial instruments arranged by Fomento de Construcciones y Contratas S.A. as a result of political, market and other factors and the repercussion thereof on the financial statements. The risk management philosophy of the Company and 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

For capital management purposes, the fundamental aim of the Company and the FCC Group is to reinforce the financial and equity structure to improve the Debt/Equity Ratio, in an attempt, on the one hand, to reduce the cost of capital and in turn maintain capital adequacy, in order to continue managing its activities and, on the other, to maximise value for shareholders, not just at Group level, but also at the level of the Parent, Fomento de Construcciones y Contratas S.A.

The fundamental base considered by the Company to be capital is reflected under "Equity" in the balance sheet, which for management and monitoring purposes excludes the item "Changes in the fair value of financial instruments" as they are considered within the management of interest rate risk since they result from the measurement of instruments that convert floating-rate debt into fixed-rate debt.

In light of the industry in which the Company and the FCC Group operate, they are not subject to external capital requirements, although this does not prevent regular monitoring of equity in order to guarantee a financial structure that is based on compliance with the legislation in force in the countries in which they operate. Analysis is also performed of the capital structure of each of the subsidiaries in order to strike a suitable balance between debt and equity.

Proof of the foregoing are the capital increases of EUR 1,000,000 thousand performed at the end of 2014 and completed in March 2016 of EUR 709,519 thousand, both of which are earmarked to strengthen the Company's capital structure.

Also, as explained in note 15.b on non-current and current bank debts, renewal of the syndicated loan of Fomento de Construcciones y Contratas S.A. came into effect on 8 June 2017.

Also, as explained in Note 15.a on "Non-current and current obligations and loans", in September 2016 much of the convertible bond issue of Fomento de Construcciones y Contratas, S.A. was repaid. This, together with other smaller request in subsequent months, has meant that by year end 2017 EUR 420 million of the issue had been repaid, i.e., nearly 93% of the total. This cancellation has made it possible to substantially reduce the annual finance cost of 6.5% associated with this issue.

With these operations the Company and the FCC Group have made significant progress in the process that is under way, consolidating and optimising the capital structure to provide a solid finance platform, while strengthening operational capacity and flexibility.

The finance department, which is responsible for managing financial risks, regularly reviews the financial debt ratio and compliance with finance covenants, as well as the capital structure of the subsidiaries.

b) 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.

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.

c) 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.

The following table summarises the effect that the aforementioned increases and decreases in the interest rate yield curve on gross debt, after excluding any hedged debt, would have on the Company's income statement:

	+25 pb	+50 pb	+100 pb
Impact on the income statement	8,257	16,514	33,029

d) Solvency risk

The most representative ratio for measuring solvency and capability of repaying the debt is:

In 2017 the Company improved its solvency compared with 2016, as we see from the evolution of net financial debt shown on the enclosed balance sheet, as follows:

	2017	2016
Bank borrowings	2,061,738	3,314,624
Debt instruments and other marketable securities	30,578	32,548
Payable to Group companies and associates	1,049,992	591,525
Other interest-bearing financial debt	49,824	62,860
Financial credits with Group companies and associates	(178,997)	(187,794)
Other current financial assets	(11,689)	(146,790)
Cash and cash equivalents	(63,171)	(94,300)
	2,938,275	**3,572,673**

The most significant variations were largely caused by:

- Repayment of bank debt (Note 15.b).
- Financing of subsidiaries (Note 10.d)
- Receipts of sums deferred by the sale of Global Vía and Xfera in 2016 (Note 9.b).

e) Liquidity risk

Fomento de Construcciones y Contratas S.A. performs their transactions in industries which require a high level of financing, and to date they have obtained adequate financing to be able to carry on their operations. However, the Company 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 it operates. Unfavourable conditions in the debt and capital markets can obstruct or impede the obtainment of adequate financing for the performance of business activities.

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 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 the Company and 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.

As at 31 December 2017, the Company presents negative goodwill of EUR 434,497 thousand, although the Directors have prepared the financial statements according to the going-concern principle for the reasons explained in note 2.

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 area (Spanish 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, bonds, syndicated transactions, factoring, discounting, etc.

The FCC Group's strategic-planning process identifies the targets to be reached by each business area in terms of improvements to be implemented, market opportunities and the risk level that is considered to be acceptable. The process serves as the basis for preparing operating plans that specify the targets to reach each year.

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 Group's policy is not to accept 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 the various management committees.

With respect to creditworthiness, the Company uses their best judgement to recognise impairment losses on financial assets for which uncertainty exists as to their recoverability. Therefore, since most of the unprovisioned financial assets relate mainly to accounts receivable from public sector customers in the Environment Area, there should be considered to be no risk of non-payment since the creditworthiness of those customers is high.

h) Financial derivatives designated as hedging instruments

In 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 (Note 8.b) is tied. Financial derivatives are measured by experts on the subject that are independent from the Company 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 Company's accounts.

Accordingly, a simulation was performed using three rising basic yield curve scenarios for the euro with an average of around 0.63% in the medium and long term at 31 December 2017, 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.

	+25 pb	+50 pb	+100pb
Impact on equity:	130	269	546

18 Deferred taxes and tax matters

a) Tax receivables and payables and deferred taxes

a.1) Tax receivables

	2017	2016
Non-current		
Deferred tax assets	87,907	103,262
	87,907	**103,262**
Current		
Current tax assets	23,743	1,541
Other accounts receivable from public authorities	5,389	7,252
	29,132	**8,793**

The detail of "Deferred Tax Assets" is as follows:

	2017	2016
Non-deductible finance costs	53,650	57,329
Provisions	23,167	33,217
Other	11,090	12,716
	87,907	**103,262**

"Other" includes, inter alia, the differences for period depreciation and amortisation and the deferral of losses contributed by joint ventures which will be included in the tax base for the following year.

Management of Fomento de Construcciones y Contratas S.A., Parent of Spanish tax group 18/89 (Note 18.h), assessed the recoverability of the deferred tax assets by estimating the future tax bases relating to this group and concluded that there were no doubts as to their recoverability in a period of no more than ten years. The estimates used are based on the Group's estimated "consolidated book result before tax from continued operations for the year", adjusting the corresponding permanent and temporary differences that are expected to occur in each year. Forecasts show an improvement in profits, as a result of maintaining in place the steps taken to cut costs and strengthening the Group's financial structure by means of the two capital increases effected, for EUR 1,000 million in 2014 and EUR 710 million in 2016, which together with the new agreement to refinance the corporate debt, entered into in 2017, have enabled the financial debt and interest rates to be reduced, which in turn will result in a considerable reduction in financial costs.

a.2) Tax payables

	2017	2016
Non-current		
Deferred tax liabilities	29,309	43,500
Other accounts payable to public authorities	4,628	–
	33,937	**43,500**
Current		
Other accounts payable to public authorities	65,972	41,415
Tax withholdings payable	8,839	8,663
VAT and other indirect taxes payable	23,751	19,415
Accrued social security taxes payable	8,597	10,074
Deferral of payments to public authorities (Note 16)	22,989	1,254
Other	1,796	2,009
	65,972	**41,415**

The detail of "Deferred Tax Liabilities" is as follows:

	2017	2016
Impairment of goodwill for tax purposes	10,114	10,115
Accelerated depreciation and amortisation	6,801	10,051
Haircut deferment	–	9,791
Finance leases	4,220	4,921
Other	8,174	8,622
	29,309	**43,500**

"Other" includes, inter alia, the deferral of gains contributed by joint ventures which will be included in the tax base for the following year.

a.3) Changes in deferred tax assets and liabilities

The changes in deferred tax assets and liabilities in 2017 and 2016 were as follows:

	Deferred tax assets	Deferred tax liabilities
Taxable temporary differences (income statement liability method)		
Balance at 31.12.2015	**167,992**	**35,467**
Arising in the year	–	11,236
Arising in prior years	(70,738)	(5,500)
Other adjustments	5,416	2,172
Balance at 31.12.2016	**102,670**	**43,375**
Arising in the year	–	–
Arising in prior years	(13,864)	(4,600)
Other adjustments	(1,238)	(9,579)
Balance at 31.12.2017	**87,568**	**29,196**
Temporary differences (balance sheet liability method)		
Balance at 31.12.2015	**627**	**17,248**
Arising in the year	–	37
Arising in prior years	(35)	(16,935)
Other adjustments	–	(226)
Balance at 31.12.2016	**592**	**124**
Arising in the year	–	14
Arising in prior years	(253)	(25)
Other adjustments	–	–
Balance at 31.12.2017	**339**	**113**
Total at 31/12/2017	**87,907**	**29,309**

Worthy of Note on this chart is the variation in deferred taxes on assets in 2016, sourced in prior years, totalling EUR 70,738 thousand, which largely corresponds to the reversion of the accumulated impairment of the company Global Vía Infraestructuras S.A. caused by its sale.

"Other Adjustments" arose as a result of the positive or negative differences between the estimate of the tax expense or benefit at the accounting close and the amount per the subsequent settlement of the tax at the date of payment.

b) Reconciliation of the accounting loss to the taxable profit (tax loss)

The reconciliation of the accounting loss to the taxable profit (tax loss) for income tax purposes is as follows:

	2017			2016		
Accounting loss for the year before tax			180,175			(259,930)
	Increase	Decrease		Increase	Decrease	
Permanent differences	258,820	(454,594)	(195,774)	365,884	(33,207)	332,677
Adjusted accounting profit (loss)			(15,599)			72,747
Temporary differences						
– Arising in the year	–	(55,457)	(55,457)	–	(44,943)	(44,943)
– Arising in prior years	18,400	–	18,400	89,695	(282,951)	(193,256)
Taxable profit (tax loss)			**(52,656)**			**(165,452)**

The foregoing table includes notably the permanent differences relating to 2017 and 2016. These differences arose from:

- The impairment losses on the investments of tax group 18/89 and the reversals of impairment losses on investments in the remaining investees.
- The exemption to avoid the double taxation of dividends. Spanish Income Tax Law 27/2014, of 27 November, to be applied from 2015, eliminated the tax credit for double taxation of dividends, replacing it with the aforementioned exemption.
- The treatment as permanent differences of deferred tax assets generated in the year, including limitations on the deductibility of finance costs in 2016.

c) Tax recognised in equity

At year end 2017 and 2016 the tax registered under equity is not significant.

d) Reconciliation of the accounting result to the income tax expense

The reconciliation of the accounting result to the income tax expense is as follows:

	2017	2016
Adjusted accounting profit (loss)	(15,599)	72,747
Income tax charge	(3,900)	18,187
Other adjustments	(262)	21,245
Corporation Tax expenditure/(income)	**(4,162)**	**39,432**

In 2016 “Other Adjustments” related basically 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 2016 for EUR 19,388 thousand.

e) Breakdown of income tax expense

The breakdown of the income tax expense for 2017 and 2016 is as follows:

	2017	2016
Current tax	(2,326)	(15,514)
Deferred taxes	(1,836)	54,946
Total tax expense	**(4,162)**	**39,432**

f) Tax loss and tax credit carryforwards

At 2017 year-end the Company had tax loss carryforwards from prior periods amounting to EUR 106,249 thousand, as part of tax group 18/89, with the following details by year:

	Amount
2014	47,860
2016	58,389
Total	**106,249**

The Company has not recorded any deferred tax assets for this item.

In addition, it should be noted that the Company had tax credit carryforwards from prior years amounting to EUR 11,007 thousand, for which, in the same way as for tax loss carryforwards, the Company did not recognise any deferred tax assets. The detail is as follows:

Tax credit	Amount	Period for deduction
Reinvestment tax credits	4,688	15 years
R&D+i activities	2,949	18 years
For Canary Islands general indirect tax	1,698	15 years
Job creation for disabled people	652	15 years
For domestic double taxation	583	Indefinite
Other	437	15 years
	11,007	

The Company also has unrecognised tax credit assets amounting to EUR 325 million relating to the impairment loss recognised in prior years on its ownership interest in Azincourt S.L., a holding company which holds the shares of the UK-registered company FCC Environment (UK). The amount of the impairment recognised, which was deemed to be non-deductible for income tax purposes, amounts to EUR 1,300.1 million. This amount might be deductible for income tax purposes in the future in the event of the winding-up of the company Azincourt Investment S.L.

g) Years open for review and tax audits

Fomento de Construcciones y Contratas S.A. has all the years not yet statute-barred open for review by the tax authorities for the taxes applicable to it. On 8 June 2015, the State Tax Agency's Department of Tax and Customs Control issued a "Communication of the Commencement of Verifications and Investigations" with regard to Corporation Tax for tax group 18/89, headed by the Company (periods between 01/2010 and 12/2013), and with regard to VAT (periods between 01/2012 and 12/2013) and PAYE withholdings (periods between 04/2011 and 12/13). During the final quarter of 2017 the authorities gave notice of a debt in respect of Corporation Tax for the tax group headed by Fomento de Construcciones y Contratas S.A. (for the 2010–2012 periods), as well as in respect of VAT and PAYE withholdings for several Group companies, totalling EUR 37 million. Payment of most of this debt has been deferred by the tax authority for 18 months. It is also likely that during the first quarter of 2018 the Company will be ordered to make a VAT payment (2012–2013 periods) for EUR 1 million, plus another debt for the tax group's Corporation Tax for which no outgoings are expected, although certain tax credits recorded for companies in the tax group will be regularised. The total effect of tax regularisation in 2017 and forecast for 2018 will have no impact on the Company's results, as adequate provisions have been made for the corresponding sums in the financial statements.

In view of the criteria that the tax authorities might adopt in the interpretation of tax legislation, the outcome of the tax audits currently under way and any tax audits of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, the Group's senior executives consider that any resulting liabilities would not significantly affect the Company's equity.

h) 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.

i) Other tax disclosures

The detail of "Income Tax Recovered/Paid" in the statements of cash flows for 2017 and 2016 is as follows:

	2017	2016
Income tax recovered from/paid to Group companies in prior year and for Corporation Tax payments for the year	39,854	(12,700)
Deferred taxes	(6,897)	—
Pre-payments	(28,014)	—
CT prior years	4,364	—
Withholdings and other	(184)	374
	9,123	**(12,326)**

19 Guarantee commitments to third parties and other contingent liabilities

At 31 December 2017, Fomento de Construcciones y Contratas S.A. had provided EUR 474,662 thousand (31 December 2016: EUR 535,224 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 2017 year-end the Company had also provided guarantees to third parties for certain Group companies amounting to EUR 320,659 thousand (31 December 2016: EUR 382,593 thousand). These include, most notably, EUR 288,902 thousand relating to Environmental Services companies.

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 (Notes 14 and 4.j). Accordingly, any resulting liabilities would not have a significant effect on the Company's equity.

With respect to the main contingent liabilities arising from the insolvency proceedings of the Alpine subgroup, it should be noted that the potential financial effects would be the outflow of cash of the amount indicated in the related claims detailed in Note 14 to these financial statements. In relation to the complaints filed on the one hand, by a bondholder against certain directors of Alpine Holding, GmbH, auditors of Alpine and their partners and, on the other, a former director of Banco Hypo Alpe Adria, both are cases of complaints filed in the criminal jurisdiction, which are still being investigated and, therefore, the criminal liability (and civil liability that might arise and which is the sole quantifiable liability) prevent the determination of an amount and timing of the potential outflow of benefits until the amount that might arise in connection with the liability can be determined. In turn, the court proceedings brought by the insolvency managers of Alpine Holding GmbH for EUR 186 million, although it is now at the "heard pending judgment" stage, since they constitute a new procedure, the legal arguments put forward by the parties, and the lack of any clear case law doctrine, it is to be supposed that the such proceedings may reach the Supreme Court, a situation which would give rise to a significant delay in the timing of the court proceedings, which, based on the preliminary estimates of the Group, could go on until 2020.

In all cases, the possibility of indemnity payments, except for costs and court costs if our case prospers in court, is remote or practically non-existent.

In addition to the lawsuits related to Alpine, 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 management industry, including Fomento de Construcciones y Contratas S.A. and other companies in the FCC Group. The Group filed a contentious-administrative appeal before the National Court of Justice. In late January 2018 we received notice of the decisions issued by the National Court of Justice finding in favour of the contentious-administrative appeals filed by Gestión y Valorización Integral del Centro S.L. and BETEARTE, both subsidiaries of Fomento de Construcciones y Contratas S.A., against the CNMC decision imposing various sanctions for alleged collusion practices. Both these judgments accept the companies' representations that no single, continued infringement took place. The FCC Group does not expect any outgoings as a result of this legal action, although after the judgment was announced, the CNMC has told the media that it intends to appeal the judgments before a higher court.

The Company has other lawsuits and court proceedings underway in addition to those detailed above from which no significant outflows of cash are expected to arise.

The Company also has a commitment to make a contingent contribution to Cementos Portland Valderrivas S.A. of up to EUR 100,000 thousand, linked to how its business continues to progress (Note 10.d).

In relation to the Company's 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.

It should be noted in relation to the guarantees enforced or provided that the Company has not obtained significant assets as a result of guarantees enforced in its favour.

20 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 (Note 2).

The detail, by area, of “Sales and Services” is as follows:

	2017	2016
Environmental Services	1,200,821	1,160,120
Other	15,549	18,948
	1,216,370	**1,179,068**

Of the total cited, EUR 17,823 thousand corresponds to contracts abroad, specifically in the United States (31 December 2016: EUR 8,648 thousand).

In “Revenue from investments in Group Companies and associates” of particular note is the dividend shared by FCC Aqualia S.A. of EUR 413,462 thousand.

The detail of “Staff Costs” is as follows:

	2017	2016
Wages and salaries	580,347	567,252
Employee benefit costs	202,244	194,497
	782,591	**761,749**

In 2017 “Impairment and gains or losses on disposals of non-current assets and other gains or losses” includes a provision of EUR 12,473 thousand (Note 14). In 2016 reversal of provisions amounted to EUR 12,516,000 (Note 14), relating to risks that were considered to be remote, income from acknowledgment of debt regarding the “hospital cent” for EUR 4,925 thousand and losses from deregistered intangible and tangible assets totalling EUR 6,677 thousand.

“Finance income from marketable securities and other financial instruments of Group companies and associates” includes the interest earned on the financing granted to investees (Note 10), which includes most notably the following:

	2017	2016
Azincourt Investments S.L. Sole-Shareholder Company	6,070	6,087
FCC Medio Ambiente, S.A.	6,045	6,004
FCC Aqualia, S.A.	3,992	19,771
Enviropower Investments, Limited	2,661	2,955
FCC-PFI Holding Group	2,615	3,543
FCC Ámbito S.A. Sole-Shareholder Company	1,784	1,965
FCC Versia, S.A.	1,670	5,145
FCC Construcción, S.A.	1,617	4,231
FCC Environment (UK) Group	1,149	643
Cementos Portland Valderrivas, S.A.	—	5,376
Other	3,844	8,282
	31,447	**64,002**

In 2016 “Finance Income” included most notably EUR 58,082 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.

Also, in 2017 the heading “Changes in fair value of financial instruments” includes a profit of EUR 16,000 thousand for the receipt of an arbitration award with Veolia in respect of the sale of the Proactiva group in 2013. In 2016 this heading included losses of EUR 20,820 thousand owing to the decrease in the value of receivables at Global Vía Infraestructuras S.A.

“Exchange Rate Differences” relate mainly to the differences arising on the loans in pounds sterling granted to FCC PFI Holdings Limited, Enviropower Investment Ltd. and FCC Environment (UK) Ltd.

21 Related party transactions and balances

a) Related party transactions

The detail of the transactions with related parties in 2017 and 2016 is as follows:

	Group companies	Joint ventures	Associates	Total
2017				
Services rendered	78,528	15,239	3,379	97,146
Services received	23,372	158	309	23,839
Dividends	416,280	787	1,515	418,582
Finance costs	25,748	—	—	25,748
Finance income	31,447	—	—	31,447
2016				
Services rendered	78,911	8,367	1,148	88,426
Services received	20,661	692	207	21,560
Dividends	10,888	781	1,553	13,222
Finance costs	9,382	24	—	9,406
Finance income	63,918	84	—	64,002

b) Related party balances

The detail of the related party balances at year-end is as follows:

	Group companies	Joint ventures	Associates	Total
2017				
Current investments (Note 10)	186,736	1,299	412	188,447
Non-current investments (Note 10)	3,059,142	16,960	216,278	3,292,380
Current payables (Note 10)	528,322	4,059	—	532,381
Non-current payables (Note 10)	538,877	—	—	538,877
Trade receivables	42,280	4,522	473	47,275
Trade payables	7,453	2,332	67	9,852
2016				
Current investments (Note 10)	215,822	588	588	216,998
Non-current investments (Note 10)	3,595,894	16,959	216,279	3,829,132
Current payables (Note 10)	583,534	667	—	584,201
Non-current payables (Note 10)	16,279	—	—	16,279
Trade receivables	68,384	2,767	273	71,424
Trade payables	14,146	189	6	14,341

The detail of the trade receivables from and payables to Group companies and associates is as follows:

	2017		2016	
Company	Receivable	Payable	Receivable	Payable
FCC Construcción, S.A.	17,556	—	39,113	1,932
Serveis Municipals de Neteja de Girona S.A.	4,182	—	3,926	—
Fast Consortium Limited LLC	2,199	2,166	2,206	2,166
Societat Municipal Mediambiental d'Igualada S.L.	1,818	—	1,567	—
ASA Group	1,626	910	1,011	1,735
Cementos Portland Valderrivas, S.A.	1,324	42	802	31
FCC Aqualia, S.A.	1,182	93	2,805	92
FCCyC, S.L. Sole-shareholder Company	1,164	—	—	—
FCC Medio Ambiente, S.A.	1,132	260	1,432	231
Valoración y Tratamiento de Residuos Sólidos Urbanos, S.A.	1,062	—	678	—
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.	1,055	628	1,077	363
Empresa Comarcal de Serveis Mediambientals del Baix Penedés ECOBP, S.L.	1013	—	964	—
Hidrotec Tecnología del Agua S.L. Sole-Shareholder Company	939	27	398	9
Servicios Especiales de Limpieza S.A.	826	607	666	911
Ecoparc del Besòs S.A.	736	—	1,072	—
FCC Industrial e Infraestructuras Energéticas S.A.	735	188	1,022	444
Alfonso Benitez, S.A.	728	32	843	252
FCC Environment (UK) Group	710	334	479	—
Servicios Urbanos de Málaga S.A.	668	—	905	—
Gandia Serveis Urbans S.A.	553	—	1,998	—
FCC Enviromnet Services (UK) Limited	530	—	—	—
Fedemes S.L.	469	886	3,349	1,452
FCC Ámbito S.A. Sole-Shareholder Company	395	164	660	98
Manipulación y Recuperación MAREPA S.A.	388	13	1,106	68
Gestió i Recuperació de Terrenys S.A. Sole-Shareholder Company	13	1,371	1	1,185
Other	4,272	2,131	3,344	3,372
	47,275	**9,852**	**71,424**	**14,341**

c) Operations with Company Directors and senior FCC Group executives

The Directors of Fomento de Construcciones y Contratas S.A. earned the following amounts at the Company (in thousands of euros):

	2017	2016
Fixed remuneration	1,066	1,230
Other remuneration (*)	1,864	1,443
	2,930	**2,673**

(*) Includes in 2017 a severance payment of EUR 708 thousand, including a no-competition agreement, made to the previous CEO. Also included is Alejandro Aboumrad's contract to provide services (EUR 338 thousand).

The Senior Executives listed below, who are not members of the Board of Directors, earned total remuneration of EUR 3,168 thousand in 2017 (2016: EUR 3,507 thousand).

2017	
Marcos Bada Gutierrez	General Internal Audit Manager
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel A. Martínez Parra	General Manager of Administration and Finance
Félix Parra Mediavilla	General Manager of FCC Aqualia

The total remuneration figure includes sums paid to Pablo Colio over the period between 16 January 2017 (when he was appointed as Managing Director of FCC Construcción) and 12 September 2017 (when he was appointed as CEO). The figure for total remuneration includes the sums corresponding to severance payments for three senior managers in 2017.

2016	
Marcos Bada Gutierrez	General Internal Audit Manager
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel Jurado Fernández	Manager of FCC Construcción
Félix Parra Mediavilla	General Manager of FCC Aqualia

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. (Note 4.l). There have been no contributions or income for these items in 2017 (nor were there any in 2016).

For the purposes of setting up an economic fund to compensate the previous CEO, the Company set up a savings fund in his favour, funded by annual contributions made by Fomento de Construcciones y Contratas S.A. (Note 4.1). The contributions for this item in 2017 totalled EUR 510 thousand (2016: EUR 202 thousand). On 28 September 2017, the Company received a sum of EUR 712 thousand as recovery of the policy taken out.

Under article 38.5 of the articles of association, the Company takes out civil-liability insurance to cover directors and executives. The policy covers all the Group's directors as a whole. The premium paid in 2017 was EUR 1,333 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.

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
DON CARLOS MANUEL JARQUE URIBE	REALIA BUSINESS, S.A.	DIRECTOR
	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
DON GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CEO
	REALIA BUSINESS, S.A.	CEO
DON JUAN RODRÍGUEZ TORRES	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	NON-EXECUTIVE CHAIRMAN
DON ALVARO VÁZQUEZ DE LAPUERTA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
INMOBILIARIA AEG, S.A. DE C.V.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS, S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHAIRMAN'S OFFICE
	REALIA BUSINESS, S.A.	DIRECTOR
DON PABLO COLIO ABRIL	FCC INDUSTRIAL PERÚ, S.A.	BOARD MEMBER
	GUZMAN ENERGY O&M, S.L.	CHAIRMAN

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.

d) Situations of conflict of interest

No situations of direct or indirect conflict of interest with the interests of the Company have come to light, in accordance with the applicable law (s. 229 Capital Companies Act), without prejudice to the Company's operations with related parties contained in this report or any agreements on remuneration issues or the appointment of officers. In this regard, whenever ad hoc conflicts of interest have come to light affecting certain directors, they have been resolved according to the procedure provided under the Board Rules, with the persons involved standing aside from the relevant discussions and votes.

e) Operations with associated parties

During the year various operations took place with companies with which shareholders of Fomento de Construcciones y Contratas S.A. are associated. The most significant of these were as follows:

– Contracts for technical support and consulting between Inmobiliaria and Realia, regarding the development of 33 houses at A.R. Nuevo Tres Cantos and the associated marketing contract.

– Contracts for technical support and consulting between Inmobiliaria and Realia for a development for 86 homes, garage spaces, storage rooms and common areas on plot 1-6.A at A.R. Nuevo Tres Cantos, plus the corresponding marketing contract.

– Factoring line for EUR 130 million with assignment of credits without financing recourse granted by the Inbursa finance group to Fomento de Construcciones y Contratas.

– Financing by the Inbursa finance group to FCC Construcción S.A. for Panama Metro line 2, by means of the acquisition of works certificates totalling USD 415 million.

– Marketing contracts between FCyC S.L.U. (principal) and Realia Business S.A. (agent) and contract for technical assistance and consulting provided by Realia Business S.A. to FCyC. S.L. related to the new Buenavista residential estate in Tres Cantos, phase II.

– In the framework of the refinancing of the debt associated with the Spanish business of the Cementos Portland Valderrivas group in 2016, a subordinated financing contract was entered into, with a book value as at 31 December 2017 of EUR 70,405 thousand, with Banco Inbursa S.A., Institución de Banca Múltiple. The finance costs accrued during the year totalled EUR 2,316 thousand.

Additionally, other operations are carried out under market conditions, mostly telephone and ISP services, with associated parties related with the majority shareholder. The sums involved are not significant.

f) Mechanisms in place to detect, determine and resolve any conflicts of interest between the controlling company and/or its Group and its directors, executives or significant shareholders

The FCC Group has precise mechanisms in place to detect, determine and resolve any conflicts of interest between Group companies and their directors, executives and significant shareholders, as indicated in article 20 et seq. of the board regulations.

22 Information on the environment

As indicated in Note 1, by their very nature, the Company's Environmental Service business 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 2017, the acquisition cost of the non-current assets assigned to the above activity totalled EUR 1,190,468 thousand (31 December 2016: EUR 1,148,828 thousand), with accumulated depreciation amounting to EUR 748,096 thousand (31 December 2016: EUR 716,496 thousand).

Company management considers that any possible contingencies in relation to the protection and improvement of the environment at 31 December 2017 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.

23 Other disclosures

a) Employees

The average number of employees at the Company in 2017 and 2016 was as follows:

	2017	2016
Managers and university graduates	225	235
Professionals with qualifications	485	479
Clerical and similar staff	613	648
Other salaried employees	23,796	22,943
	25,119	**24,305**

In compliance with RD 602/2016, of 2 December, adding new requirements for information in companies' financial reporting, the chart below show the average number of persons employed in 2017 and 2016 by the Company who have degree of disability of 33% or higher.

	2017	2016
Managers and university graduates	2	2
Professionals with qualifications	10	4
Clerical and similar staff	8	10
Other salaried employees	544	509
	564	**525**

At 31 December 2017 and 2016, the number of employees, Directors and Senior Executives of the Company, by gender, was as follows:

	Men	Women	Total
2017			
Directors	11	4	15
Senior executives	5	—	5
Managers and university graduates	180	31	211
Professionals with qualifications	365	106	471
Clerical and similar staff	251	363	614
Other salaried employees	18,063	5,196	23,259
	18,875	**5,700**	**24,575**

	Men	Women	Total
2016			
Directors	11	4	15
Senior executives	5	—	5
Managers and university graduates	189	33	222
Professionals with qualifications	363	112	475
Clerical and similar staff	273	371	644
Other salaried employees	17,836	4,851	22,687
	18,677	**5,371**	**24,048**

b) Fees paid to auditors

The 2017 and 2016 fees for financial audit services and for other professional services provided to the Company by the principal auditor Deloitte S.L. and by other auditors participating in the audit are shown in the following table:

	2017			2016		
	Principal auditor	Other auditors	Total	Principal auditor	Other auditors	Total
Audit services	271	21	292	262	22	284
Other attest services	203	53	256	128	–	128
Total audit and related services	**474**	**74**	**548**	**390**	**22**	**412**
Tax counselling services	–	82	82	28	47	75
Other services	306	408	714	522	1,276	1,798
Total professional services	**306**	**490**	**796**	**550**	**1,323**	**1,873**
TOTAL	**780**	**564**	**1,344**	**940**	**1,345**	**2,285**

24 Events after the reporting period

On 20 February 2018 the Group reported that following the receipt of a bid by the investment fund IFM Global Infrastructure Fund ("IFM") to purchase a minority stake in the company FCC Aqualia S.A., exclusive negotiations between FCC and IFM are at advanced stages regarding the acquisition by IFM of a 49% stake in FCC Aqualia S.A.

Appendix I Group Companies

Company	Carrying amount: Assets	Carrying amount: Impairment	% of ownership	Dividends received	Capital	Reserves	Other equity items	2017 profit (loss): From operations	2017 profit (loss): From continuing operations
Aparcamientos Concertados, S.A. Arquitecto Gaudí, 4 – Madrid -Car parks-	2,500	_	100	413	630	204	_	457	346
Armigesa, S.A. Pza. Constitución, s/n - Armilla (Granada) -Urban cleaning-	612	_	51	84	1,200	272	_	280	210
Asesoría Financiera y de Gestión, S.A. Federico Salmón, 13 – Madrid -Financial services-	3,008	_	dta. 43.84 indt. 56.16	_	6,843	(32,318)	_	12,253	27,462
Azincourt Investment, S.L. Sole-Shareholder Company Federico Salmón, 13 – Madrid -Financial services-	1,545,686	1,300,110	100	_	4	82,952	57,440	(166)	(28,437)
Bvefdomintaena Beteiligungsverwaltung GmbH Nottendorfer, 11 – Viena (Austria) -Corporate vehicle-	170	170	100	_	35	(396)	_	_	(396)
Cementos Portland Valderrivas, S.A. Dormilatería, 72 – Pamplona -Cement-	892,480	183,825	dta. 95.58 indt. 2.90	_	206,112	382,564	3,130	(17,546)	(44,937)
Compañía General de Servicios Empresariales, S.A. Sole-Shareholder Company Federico Salmón, 13 – Madrid -Corporate vehicle-	60	_	100	_	60	18	_	1	(1)
Corporación Española de Servicios, S.A. Federico Salmón, 13 – Madrid -Corporate vehicle-	44	_	dta. 99.99 indt. 0.01	_	60	15	_	(1)	(2)
Dédalo Patrimonial, S.L. Sole-Shareholder Company Federico Salmón, 13 – Madrid -Financial services-	85,863	85,863	100	_	61	(3,549)	_	(12,567)	(10,588)

	Carrying amount							2017 profit (loss)	
Company	Assets	Impairment	% of ownership	Dividends received	Capital	Reserves	Other equity items	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	13,608	—	3,831	2,941
Egypt Environment Services SAE El Cairo – Egypt -Urban cleaning-	7,760	2,308	dta. 97.00 indt. 3.00	—	36,400 (Leg)(*)	5,231 (Leg)(*)	— (Leg)(*)	36,314 (Leg)(*)	22,990 (Leg)(*)
Empresa Comarcal de Serveis Mediambientals del Baix Penedés, ECOBP, S.L. Plaça del Centre, 3 – El Vendrell (Tarragona) -Urban cleaning-	200	—	66.6	267	540	109	90	599	442
Europea de Gestión, S.A. Sole-Shareholder Company Federico Salmón, 13 – Madrid -Corporate vehicle-	63	—	100	—	60	20	—	—	(2)
FCC Aqualia, S.A. Federico Salmón, 13 – Madrid -Water management-	222,231	—	100	413,462	145,000	141,950	4,922	123,537	74,006
FCC Austria A.S.A. Abfall Service AG Hans-Hruschka-Gasse, 9 - Himberg (Austria) -Urban cleaning-	226,784	—	dta. 99.98 indt. 0.02	1,160	5,000	46,722	303	(8,147)	19,419
FCC Concesiones de Infraestructuras, S.L. Avenida Camino de Santiago, 40 – Madrid -Concessions-	3	—	100	—	3	—	—	—	—
FCC Construcción, S.A. Balmes, 36 – Barcelona -Construction-	1,728,051	979,095	100	—	220,000	280,039	—	71,980	50,384
FCC Equal CEE, S.L. Federico Salmón, 13 – Madrid -Social services-	3	—	dta. 99.97 indt. 0.03	—	3	36	—	176	132
FCC Equal CEE Andalucía S.L. Avda. Moliere, 36 Edif. Cristal 9/1 P - Málaga -Social services-	3	3	dta. 99.97 indt. 0.03	—	3	—	—	(10)	(8)

Company	Carrying amount: Assets	Carrying amount: Impairment	% of ownership	Dividends received	Capital	Reserves	Other equity items	2017 profit (loss): From operations	2017 profit (loss): From continuing operations
FCC Equal CEE Comunidad Valenciana S.L. Riu Magre, 6 P.I. Patada Quart de Poblet (Valencia) -Social services-	3	3	dta. 99.97 indt. 0.03	—	3	(1)	__	(5)	(4)
FCC Equal CEE Murcia S.L. Luis Pasteur, 8 - Cartagena (Murcia) -Social services-	3	2	dta. 99.97 indt. 0.03	—	3	(2)	__	(3)	(2)
FCC Medio Ambiente, S.A. Federico Salmón, 13 – Madrid -Urban cleaning-	35,102	__	dta. 98.98 indt. 1.02	__	43,273	61,988	__	34,942	22,329
FCC Versia, S.A. Avenida Camino de Santiago, 40 – Madrid -Management company-	62,624	62,624	100	120	(40,032)	__	1,141	(302)	
FCCyC, S.L. Sole-Shareholder Company Federico Salmón, 13 – Madrid -Real estate-	331,719	__	100	__	28,379	264,547	__	(3,204)	(6,257)
Fedemes, S.L. Federico Salmón, 13 – Madrid -Real estate-	10,764	__	dta. 92.67 indt. 7.33	__	10,301	4,124	__	870	498
Gandia Serveis Urbans, S.A. Llanterners, 6 – Gandia (Valencia) -Urban cleaning-	78	__	95	519	120	1,882	__	1,456	772
Geneus Canarias, S.L. Electricista, 2 Urb. Ind. de Salinetas Telde (Las Palmas) -Waste treatment-	1,762	__	100	__	1,714	869	407	659	481
Limpiezas Urbanas de Mallorca, S.A. Ctra. Can Picafort, s/n – Santa Margalida (Balearic Islands) -Urban cleaning-	5,097	__	dta. 99.92 indt. 0.08	__	308	5,806	__	462	285
Per Gestora Inmobiliaria, S.L. Federico Salmón, 13 – Madrid -Corporate vehicle-	71,552	12,388	dta. 99.00 indt. 1.00	__	60	54,411	__	105	5,298

Company	Carrying amount: Assets	Carrying amount: Impairment	% of ownership	Dividends received	Capital	Reserves	Other equity items	2017 profit (loss): From operations	2017 profit (loss): From continuing operations
Serveis Municipals de Neteja de Girona, S.A. Pza. del vi, 1– Girona -Urban cleaning-	45	45	75	__	60	(530)	__	(232)	(267)
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	307	60	__	2,224	(324)	__	(212)	(197)
Sistemas y Vehículos de Alta Tecnología, S.A. Federico Salmón, 13 – Madrid - High-technology equipment retailing-	5,828	__	dta. 99.99 indt. 0.01	__	180	7,934	__	1,722	1,421
Societat Municipal Medioambiental d'Igualada, S.L. Pza. del Ajuntament, 1 – Igualada (Barcelona) -Urban cleaning-	870	__	65.91	__	1,320	22	__	31	(22)
Tratamientos y Recuperaciones Industriales, S.A. Rambla Catalunya, 2-4 – Barcelona -Waste treatment-	21,455	17,654	dta. 74.92 indt. 0.08	375	72	3,184	__	906	672
Valoración y Tratamiento de Residuos Urbanos, S.A. Riu Magre, 6 – Pol. Ind. Patada del Cid– Quart de Poblet (Valencia) -Waste treatment-	4,000	__	80	__	5,000	2,732	__	1,364	992
TOTAL	**5,284,560**	**2,644,397**		**416,280**					

(*) (EGP): Egyptian pounds.

NOTE: As required by Article 155 of the Consolidated Text of the Spanish Limited Liability Companies Law, in 2015 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
AGARBI	60.00
AGARBI BI	60.00
AGARBI INTERIORES	20.00
AIZMENDI	60.00
AKEI	60.00
ALCANTARILLADO BURGOS	60.00
ALCANTARILLADO MELILLA	50.00
ALELLA	50.00
ALUMBRADO BAZA	100.00
ALUMBRADO LEPE	50.00
ALUMBRADO MONT-ROIG DEL CAMP	50.00
ALUMBRADO PEÑÍSCOLA	50.00
ARAZURI 2016	50.00
ARCOS	51.00
ARUCAS II	70.00
BARBERA SERVEIS AMBIENTALS	50.00
BERANGO	20.00
BILBOKO LORATEGIAK	60.00
BILBOKO SANEAMENDU	50.00
BILBOKO SANEAMENDU BI	50.00
BILKETA 2017	20.00
BIOCOMPOST DE ÁLAVA	50.00
BIZKAIAKO HONDARTZAK	25.00
BOADILLA	50.00
BOMBEO ZONA SUR	1.00
CABRERA DE MAR	50.00

	% of ownership
CANA PUTXA	20.00
CANGAS	50.00
CASTELLAR DEL VALLÈS	50.00
CENTRO DEPORTIVO GRANADILLA DE ABONA	1.00
CGR GUIPUZCOA	35.14
CHIPIONA	50.00
CLAUSURA SAN MARCOS	40.00
COLEGIOS SANT QUIRZE	50.00
CONSERVACION GETAFE	1.00
CONTENEDORES LAS PALMAS	30.00
CTR DE L'ALT EMPORDÀ	45.00
CTR-VALLÈS	20.00
CUA	50.00
DONOSTIAKO GARBIKETA	70.00
DOS AGUAS	35.00
ECOPARQUE CÁCERES	50.00
ECOURENSE	50.00
EDAR CUERVA	5.00
EDAR RANILLA	25.00
EDAR REINOSA	1.00
EDAR SAN VICENTE DE LA BARQUERA	1.00
EDIFICIO ARGANZUELA	99.99
EFICIENCIA ENERGÉTICA PUERTO DEL ROSARIO	60.00
EMANKUDE	20.00

	% of ownership
ENERGÍA SOLAR ONDA	25.00
ENLLUMENAT SABADELL	50.00
ENVASES LIGEROS MALAGA	50.00
EPELEKO PLANTA	35.00
EPREMESA PROVINCIAL	55.00
ERETZA	70.00
ES VEDRA	25.00
ETXEBARRI	20.00
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 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
GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40.00
GESTIÓN INSTALACIÓN III	34.99
GESTION SERVICIOS DEPORTES CATARROJA	100.00

	% of ownership
GIREF	20.00
GIRSA – FCC	20.00
GOIERRI GARBIA	60.00
GUADIANA	20.00
ICAT LOTE 7	50.00
ICAT LOTE 11	50.00
ICAT LOTE 15	50.00
ICAT LOTE 20 Y 22	70.00
INTERIORES BILBAO	80.00
INTERIORES BILBAO II	30.00
INTERIORES ORDUÑA	20.00
JARD. UNIVERSITAT JAUME I	50.00
JARDINES MOGAN	51.00
JARDINES PROTECCIÓN ESPECIAL	50.00
JARDINES PUERTO DEL ROSARIO	78.00
JARDINES TELDE	100.00
JARDINS SANTA COLOMA	50.00
JUNDIZ II	51.00
LA LLOMA DEL BIRLET	80.00
LAS CALDAS GOLF	50.00
LEGIO VII	50.00
LEKEITIOKO MANTENIMENDUA	60.00
LIMPIEZA Y RSU LEZO	55.00
LODOS ARAZURI	50.00
LOGROÑO LIMPIO	50.00
LUZE VIGO	20.00
LV ARRASATE	60.00
LV ORDUÑA	20.00

	% of ownership
LV RSU VITORIA-GASTEIZ	60.00
LV Y RSU ARUCAS	70.00
LV ZUMAIA	60.00
LV ZUMARRAGA	60.00
MANACOR	30.00
MANCOMUNIDAD DE ORBIGO	1.00
MANTENIMENT REG DE CORNELLÀ	60.00
MANTENIMIENTO BREÑA ALTA	50.00
MANTENIMIENTO DE COLEGIOS III	60.00
MELILLA	50.00
MÉRIDA	1.00
MNTO. EDIFICI MOSSOS ESQUADRA	70.00
MNTO. MEDITERRANEA FCC	50.00
MURO	20.00
MUZKIZ	20.00
NERBIOI IBAIZABAL 5º CONTENEDOR	60.00
NIGRÁN	1.00
ONDA EXPLOTACIÓN	33.33
PÁJARA	70.00
PAMPLONA	80.00
PARQUES INFANTILES LP	50.00
PASAIA	70.00
PASAIAKO PORTUA BI	45.00
PISCINA CUB. MUN. ALBATERA	100.00
PISCINA CUB. MUN. L'ELIANA	100.00
PISCINA CUBIERTA BENICARLÓ	65.00
PISCINA CUBIERTA C. DEP. ALBORAYA	100.00
PISCINA CUBIERTA MANISES	100.00

	% of ownership
PISCINA CUBIERTA PAIPORTA	90.00
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
PLAYAS GIPUZKOA III	60.00
PONIENTE ALMERIENSE	50.00
PORTMANY	50.00
PUERTO	50.00
PUERTO II	70.00
PUERTO DE PASAIA	55.00
PUERTO DE PTO. DEL ROSARIO	70.00
RBU ELS PORTS	50.00
RBU VILLA-REAL	47.00
R.S. PONIENTE ALMERIENSE	50.00
REDONDELA	1.00
RESIDENCIA	50.00
RESIDUOS 3 ZONAS NAVARRA	60.00
RSU BILBAO II	20.00
RSU CHIPIONA	50.00
RSU LVS. BME TIRAJANA	50.00
RSU SESTAO	60.00
RSU TOLOSALDEA	60.00
RTVE	50.00
S.U. BENICASSIM	35.00
S.U. BILBAO	60.00

	% of ownership
S.U. OROPESA DEL MAR	35.00
SALTO DEL NEGRO	50.00
SAN FERNANDO	20.00
SANEAMIENTO URBANO CASTELLÓN	65.00
SANEAMIENTO VITORIA-GASTEIZ	60.00
SANEJAMENT CELLERA DE TER	50.00
SANEJAMENT MANRESA	80.00
SANT QUIRZE DEL VALLÉS	50.00
SANTOMERA	60.00
SASIETA	75.00
SAV - FCC TRATAMIENTOS	35.00
SEGURETAT URBICSA	60.00
SELECTIVA LAS PALMAS	55.00
SELECTIVA SAN MARCOS	65.00
SELECTIVA SAN MARCOS II	63.00
SELECTIVA SANLUCAR	50.00
SELECTIVA UROLA-KOSTA	60.00
SELECTIVA UROLA-KOSTA II 2017	60.00
SELLADO VERTEDERO LOGROÑO	50.00
SERAGUA-FCC-VIGO	1.00
SOLARES CEUTA	50.00
STA. COLOMA DE GRAMANET	61.00
S.U. ALICANTE	33.33
TOLOSAKO GARBIKETA	40.00
TORREJÓN	25.00
TRANSP. Y ELIM. RSU	33.33
TRANSPORTE RSU	33.33
TRANSPORTE SAN MARCOS	80.00

	% of ownership
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 GARDELEGUI III	70.00
VERTRESA	10.00
VIDRIO MELILLA	50.00
VIGO RECICLA	70.00
VINAROZ	50.00
ZAMORA LIMPIA	30.00
ZARAGOZA DELICIAS	51.00
ZARAUZKO GARBIETA	60.00
ZUMAIA	60.00
ZURITA	50.00
ZURITA II	50.00

Appendix III Associates and jointly controlled entities

	Carrying amount							2017 profit (loss)	
Company	Assets	Impairments	% of ownership	Dividends received	Capital	Reserves	Other equity items	From operations	From continuing operations
Ecoparc del Besós, S.A. Rambla Cataluña, 91-93 – Barcelona -Urban cleaning-	2,621	__	dta. 31.00 indt. 54.00	620	7,710	2,169	13,304	5,172	2,659
Ecoserveis Urbans Figueres, S.L. Avda. Alegries, s/n – Lloret de Mar (Girona) -Urban cleaning-	301	__	50	84	601	120	__	141	174
Empresa Mixta de Limpieza de la Villa de Torrox, S.A. Pz. de la Constitución, 1 – Torrox (Málaga) -Urban cleaning-	299	__	50	__	600	1,059	__	113	86
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A. Avda. Zorreras, 1 – Rincón de la Victoria (Málaga) -Urban cleaning-	301	__	50	__	601	142	__	83	15
FM Green Power Investments, S.L. Federico Salmón, 13 – Madrid -Energy-	257,089	249,861	49	__	62,885	__	__	(44)	(43)
Gestión Integral de Residuos Sólidos, S.A. Profesor Beltrán Ibaquena, 4 – Valencia -Urban cleaning-	10,781	5,711	49	__	13,124	(2,548)	253	119	98
Ingeniería Urbana, S.A. Pol. Industrial Pla de Vallonga, s/n – Alicante -Urban cleaning-	3,786	—	35	83	6,010	6,004	—	(99)	132
Palacio de Exposiciones y Congresos de Granada, S.A. Ps. del Violón, s/n – Granada - Equipment management-	255	255	50	510	(2,635)	__	(898)	(956)	

	Carrying amount							2017 profit (loss)	
Company	Assets	Impairments	% of ownership	Dividends received	Capital	Reserves	Other equity items	From operations	From continuing operations
Realia Business, S.A. Paseo de la Castellana, 216 – Madrid -Real estate-	206,815	—	dta. 34.34 indt. 2.62	—	154,754	273,944	—	(1,629)	3,160
Servicios Urbanos de Málaga, S.A. Ulises, 18 – Madrid -Urban cleaning-	1,610	—	51	—	3,156	621	—	(27)	(27)
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4,367	—	dta. 24.00 indt. 2.00	1,515	347,214 (Pm)(*)	312,485 (Pm)(*)	—	235,761 (Pm)(*)	106,250 (Pm)(*)
TOTAL	**488,225**	**255,827**		**2,302**					

(*) (MXN): Mexican Pesos.

NOTE:
- Of the companies shown above, only Bolsa Realia Business S.A. is a listed company and its market price at the balance sheet date was EUR 1.10. The average market price in the last quarter of 2016 was EUR 1.07.
- As required by Article 155 of the Consolidated Text of the Spanish Limited Liability Companies Law, in 2015 the Company made the requisite notifications to the companies in which it had acquired direct or indirect holdings of over 10%.

Directors' Report

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

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).

1 The company's 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, positioning us in their appropriate context, the Consolidated Director's Report of the FCC Group is as follows.

1.1. Company business model and strategy: Organisational structure and management decision-making process

The organisational structure of FCC Group is based on a first level made up of areas, which are divided into two large groups which are operational 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.**
- **End-to-End 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:

- **Administration and Finance:** The Administration and Finance Department is made up of the Administration, IT Systems, Finance, Investor Relations and Management Control, Corporate Marketing and Branding, Procurement, and Human Resources units.

  The Administration unit runs the administrative management of the FCC Group. Its duties regarding information systems and internal control include the following:

  – General accounting.

  – Accounts standardisation.

  – Consolidation.

  – Tax consulting.

  – Tax procedures.

  – Tax compliance.

  – Administrative procedures.

- **Internal Auditing and Risk Management:** Its purpose is to provide the Board of Directors, via the Auditing and Control Committee, and the FCC Group's senior management with support for their responsibilities to supervise the internal control system by exercising a function of single, independent governance aligned with professional standards, to contribute towards good corporate governance, verify due compliance with the applicable rules and regulations, both internal and external, and reduce to reasonable levels any impact of risks on the FCC Group's achievement of its objectives.

  To do this, it is structured into two independent roles: Internal auditing, and risk and compliance management.

- **General Secretary's Office:** Depending directly on the Group' Chief Executive, its main duty is to support the Chief Executive's management and that of the heads of FCC's other divisions, by providing all the services detailed in the corresponding sections on FCC's various divisions and departments, whose performance and supervision is the responsibility of the General Secretary.

  The office is made up of these units: Legal Department, Quality Assurance, Corporate Security and General Services and Corporate Responsibility.

On a secondary level, the Areas may be divided into Sectors –operating Sectors- and Divisions functional Divisions-, creating spheres permitting greater specialisation when required.

The structure of the main decision-making bodies is as follows

- **Board of Directors:** This is the body with the widest-reaching, unrestricted powers, except for those expressly reserved by the Spanish Limited Liability Companies Law or the Bylaws to the powers of the shareholders at the General Meeting.
- **Audit and Control Committee:** Its main function is to support the Board of Directors in its supervisory tasks, through the periodic review of the process for preparing economic and financial information, its internal controls and independence of the external auditor.
- **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:** Each of the business units has its own Management Committee or other committee with similar duties.

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) report.

1.2. Company situation: Company business model and strategy

FCC is one of the main European groups specialised in environmental services, water and infrastructure development, with a presence in over 34 countries worldwide and 45% of its billings sourced from international markets, mainly Europe, Middle East, Latin America and the US.

Environmental Services

The Environmental Services Area has a solid presence in Spain, maintaining a position of leadership in the provision of environmental urban services for over 100 years.

In Spain FCC provides environmental services in around 3,600 municipal districts all over the country, serving a population of more than 28 million. The services provided in this sector include solid-waste collection and street-cleaning, which accounted for 36% and 32%, respectively, of the Area's turnover obtained in this market in Spain in 2017. These activities are followed in importance by waste treatment and elimination, cleaning and maintenance of buildings, parks and gardens, and, to a lesser extent, sewerage. Together they cover nearly 98% of the domestic business, with the remainder corresponding to other services.

In turn, the international business is carried on chiefly in the UK and Central and Eastern Europe through the subsidiaries FCC Environment Limited (UK) and FCC environment CEE, respectively. For a good number of years now FCC has led markets both in integral urban solid waste management and in other environmental services. The services provided in this sector include waste treatment, elimination and collection, which accounted for 56% and 20%, respectively, of total turnover in 2017.

The Environmental Services Unit also specialises in the integrated handling of industrial and commercial waste, recovery of by-products and soil decontamination, through FCC Ámbito. Its extensive network of handling and valuation facilities means that waste can be handled correctly, thereby assuring the protection of the environment and people's health.

Internationally, considerable growth has been noted in USW and industrial-waste collection in the United States.

The strategy in Spain will focus on staying competitive through quality and innovation, extending the efficiency and quality of services based on innovation and accumulated know-how, and continuing to make progress in providing smarter services for more sustainable and responsible cities.

However, the waste-treatment business will be slowed down by the high volume of investment required and the non-implementation of the National Waste Plan.

This year we will continue to focus on the efficiency of operations and growing our business. In this regard, the inclusion of new technologies will enable us to further consolidate our strength in the markets for waste recycling and valuation in Europe and position ourselves as key players in the circular economy. With regard to the United States, the business will continue to be developed in the years to come.

End-to-end Water Management

Globally, FCC Aqualia serves more than 23 million users and provides services to more than 1,100 municipal districts in 21 countries, offering the market full solutions for the needs of public and private entities and organisations at every stage of the integrated water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's business focuses on concessions and services, covering concessions for distribution networks, BOT, O&M and irrigation services, as well as technology and network tasks covering EPC contracts and industrial water-treatment activities.

In 2017, the Spanish market accounted for 77% of total turnover and 77.7% of the unit's EBITDA, and the trend for billing volumes to recover that began in 2015 and 2016 has continued. The legal framework in which contracts are undertaken does not lead us to expect any significant risks for the business in the short term. Central and regional governments are not currently calling for tenders for major water-infrastructure concessions, mainly because of the tax-consolidation and debt-reduction process that the authorities are continuing to apply, thus increasing the shortfall in infrastructure renewal and growth. Despite this, we have won new contracts or secured extensions to existing ones for integrated-water-cycle concessions with an extremely high level of loyalty (more than 90%) being shown by the local authorities we work with. Aqualia has also made considerable efforts to extend its presence in the facilities O&M market (WWTPs, DWTPs, desalinisation plants), winning several major contracts in Spain.

The international market achieved a turnover and EBITDA accounting for 23% and 22.3% of the total, respectively. FCC Aqualia focuses its business in Europe, North Africa, the Middle East and the Americas, currently holding contracts in more than 15 countries.

The unit continues to seek to stay competitive in markets with a consolidated local presence (Europe) and make the most of any opportunities that arise with regard to the management of public services for the urban water cycle. In other expansion markets, growth through BOT will be strengthened (North Africa, Latin America and the Middle East), together with O&M, while further options in others will be explored (e.g., United States). FCC Aqualia always makes full use of its experience in the integrated management of the water cycle to seek new business opportunities in countries where the political and social climate is stable.

Construction

This Area is mainly involved in the design and construction of large civil engineering and industrial works and building construction projects. 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.

64% of all earnings come from abroad, including the building of major infrastructure projects such as Riyadh Metro lines 4, 5 and 6, Lima Metro line 2, Doha Metro, the Mersey Bridge and Panama Metro line 2, with some still in the early stages of construction. Major contracts won in 2017 include the refurbishment of sections of the Gurasoada–Simeria railway line (sectors 2a, 2b and 3) for €146 million, €154 million and €300 million, respectively.

The unit's strategy focuses on the development and construction of major, technically complex infrastructure projects, with assured funding and in countries with a stable presence, in order to optimise the profitability of the experience and the technical skills of its work teams.

Cement

The FCC Group carries on its cement activity through Cementos Portland Valderrivas (CPV). Its business is devoted to manufacturing cement, which in 2017 accounted for more than 90% of all the business's earnings, with the remainder mostly coming from the concrete, mortar and aggregate businesses. Its business is based at various cement-production sites in Spain (7) and Tunisia (1).

With regard to its geographical diversification, 40% of revenue came from international markets. CPV has a presence in Spain, Tunisia and UK, although the company also exports to the UK, North Africa and various locations in Europe from those three countries.

The company enjoys a position of leadership both in its main market, Spain, and in Tunisia.

CPV's main objective continues to be to remain competitive in terms of both costs and market share in the markets in which it operates, attempting to retain its status as an industry benchmark in all the countries in which it has a presence.

2 Business performance and results

2.1. Business performance

2.1.1. Significant events

- **Pablo Colio appointed CEO of FCC**

In September, the Board of Directors of FCC, S.A. voted unanimously to appoint Pablo Colio as Group CEO in place of Carlos Jarque, who stepped down as CEO on 12 September and continues as a proprietary director. The current CEO has extensive experience, including 23 years in a range of executive positions in the FCC Group.

- **FCC Aqualia repurchases 49% of its Czech Republic subsidiary from Mitsui**

In November, FCC Aqualia reached an agreement with Mitsui to repurchase a 49% stake in the company that heads its water business in the Czech Republic for €92.5 million, thereby recovering 100% of that business and, indirectly, of its Czech subsidiary, SmVak. The transaction had not been completed at year-end as it was pending approval by the Czech authorities; that approval had been obtained by the date of this report, enabling the transaction to be completed.

- **FCC Aqualia chosen Water Company of the Year 2017**

FCC Aqualia, the company that heads the Water division, was named Water Company of the Year 2017 last December by iAgua magazine. Aqualia was also the winner in five other categories.

- **FCC Environmental Services division obtains contract for a second recycling plant in the US**

In December, the city of Houston, Texas, awarded FCC Environmental Services a contract to design, build and operate a recycling plant. The 15-year contract, with scope for a 5-year extension, represents a backlog of $250 million; the plant will initially be able to process 120,000 tons per year. The deal further expands the company's footprint in the US, where revenues increased by 66.9% in 2017. Additionally, the Dallas plant, which is operational, was named Recycling Facility of the Year by the US National Waste & Recycling Association (NWRA).

Also notable was the entry into service in 2017 of the company's ninth energy-from-waste facility; managed by Mercia Waste Management, which is owned 50% by the FCC Group, the plant processes waste from Worcestershire and Herefordshire (UK).

- **FCC Construction ends 2017 with 7.2% growth in the overall backlog**

At 2017 year-end, the Group's Construction area had an aggregate attributable backlog amounting to €4,935.3 million (€4,299.9 in consolidated terms plus €635.4 million attributable in other contracts not reflected in consolidated revenues). This increase was due notably to: (i) upgrade work on three sections of railway line in Transylvania (Romania), worth €599 million attributable to FCC; the work is to be completed in 36 months and establishes Romania as one of FCC's main markets in this business; and (ii) the adjudication to a consortium headed by Grupo Carso, in which FCC has a 14.3% stake, of a contract to build the terminal building at Mexico City's new international airport; the 44-month contract is worth over €3,900 million in total.

The backlog does not yet reflect the Corredor de las Playas I (Panama) contract, awarded in November to a consortium involving the company that heads the Construction division; the 20-month contract, in which the budget attributable to FCC Construction amounts to $266 million, is to expand a section of the Inter-American Highway.

Successful novation of the bulk of the FCC Group's interest-bearing debt

The novation of the conditions governing FCC, S.A.'s syndicated loan came into force on 8 June 2017; this is a milestone in the process of optimising the Group's finances and had an immediate positive impact on cash flow. The refinancing agreement was completed with the early repayment of €1,069 million of existing borrowings using the funds obtained from two corporate bond issues by FCC Aqualia, S.A. in the international market. The bonds, with nominal amounts of €700 million and €650 million, mature in 2022 and 2027 and pay coupons of 2% on average.

After this partial repayment, the Group's corporate financial net debt was reduced substantially to a balance of €1,283.1 million as of year-end, 44.9% less than at the end of 2016, and its main maturity was extended to five years, while the interest rate on the bulk was linked to Euribor plus a spread of 2.3%, i.e. about 170 basis points less than in the previous structure. This combined deal also substantially reduced the FCC Group's overall funding costs.

2.1.2. Executive summary

- Net attributable profit amounted to €118 million in 2017, contrasting with the loss of € 161.6 million in 2016, which included goodwill impairment in the Cement business.
- Consolidated revenues amounted to €5,802 million, 2.5% less than in 2016. This reduction was due entirely to the deconsolidation of Giant (cement business in the US) since 1 November 2016, and to the euro's strength against most of the other currencies in which the Group operates. Adjusting for both effects, the FCC Group's comparable revenues increased by 1.6% with respect to 2016.
- Group EBITDA declined slightly, by 2.2%, to €815.4 million, compared with €833.7 million in 2016; however, adjusting for the aforementioned revenue effects, EBITDA would have increased by +2.7%. The EBITDA margin was 14.1%, slightly higher than in 2016. EBITDA performance reflected the outcome of the measures to improve efficiency in structural expenses (-16.8% year-on-year), synergies and productivity improvements.
- Net financial expenses declined by -10.9% to €257.7 million in the year, even though the 2016 figure included a positive contribution of €58 million as a result of refinancing transactions. Excluding this effect, financial expenses declined by 41.2%.
- Consolidated net interest-bearing debt was cut by 0.3% to €3,579.5 million at 31 December 2017, a reduction of €11.4 million.

KEY FIGURES *(M€)*

	Dec. 17	Dec. 16	Chg. (%)
Net sales	5,802.0	5,951.6	-2.5%
EBITDA	815.4	833.7	-2.2%
EBITDA margin	*14.1%*	*14.0%*	*0.1 p.p*
EBIT	435.9	93.6	N/A
EBIT margin	*7.5%*	*1.6%*	*5.9 p.p*
Income attributable to equity holders of the parent company	118.0	(161.6)	N/A
Operating cash flow	768.9	1,024.9	-25.0%
Investing cash flow	(150.9)	(94.7)	59.3%
Net equity	938.5	872.9	7.5%
Net financial debt	3,579.5	3,590.9	-0.3%
Backlog	29,377.4	30,589.9	-4.0%

2.1.3. Summary by Business Area

(M€)

Area	Dec. 17	Dec. 16	Chg. (%)	% of 2017 total	% of 2016 total
REVENUES BY BUSINESS AREA					
Environment	2,736.0	2,728.1	0.3%	47.2%	45.8%
Water	1,025.9	1,009.8	1.6%	17.7%	17.0%
Construction	1,681.5	1,652.6	1.7%	29.0%	27.8%
Cement	340.4	536.2	-36.5%	5.9%	9.0%
Corp. services adjust.	18.2	24.9	-26.9%	0.3%	0.4%
Total	**5,802.0**	**5,951.6**	**-2.5%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	3,185.2	3,072.5	3.7%	54.9%	51.6%
United Kingdom	755.1	889.2	-15.1%	13.0%	14.9%
Middle East& Africa	653.9	716.2	-8.7%	11.3%	12.0%
Rest of Europe and RoW	463.1	428.4	8.1%	8.0%	7.2%
Latin America	414.5	356.0	16.4%	7.1%	6.0%
Czech Republic	264.4	241.6	9.4%	4.6%	4.1%
US and Canada	65.7	247.7	-73.5%	1.1%	4.2%
Total	**5,802.0**	**5,951.6**	**-2.5%**	**100.0%**	**100.0%**
EBITDA*					
Environment	425.8	438.7	-2.9%	52.2%	52.6%
Water	241.5	231.4	4.4%	29.6%	27.8%
Construction	70.3	55.0	27.8%	8.6%	6.6%
Cement	57.8	89.2	-35.2%	7.1%	10.7%
Corp. services and adjust.	20.0	19.4	3.1%	2.5%	2.3%
Total	**815.4**	**833.7**	**-2.2%**	**100.0%**	**100.0%**

(M€)

Area	Dec. 17	Dec. 16	Chg. (%)	% of 2017 total	% of 2016 total
EBIT					
Environment	203,4	221,8	-8,3%	46,7%	N/A
Water	153,2	144,1	6,3%	35,1%	N/A
Construction	84,8	(47,4)	N/A	19,5%	N/A
Cement	26,1	(120,4)	-121,7%	6,0%	N/A
Corp. services adjust.	(31,6)	(104,5)	-69,8%	-7,2%	N/A
Total	**435,9**	**93,6**	**N/A**	**100,0%**	**N/A**
NET FINANCIAL DEBT *					
With recourse	1,283.1	2,329.1	-44.9%	35.8%	64.9%
Without recourse					
Environment	374,4	439.0	-14.7%	10.5%	12.2%
Water	1,383.8	246.2	462.1%	38.7%	6.9%
Construction	0.0	0.0	N/A	0.0%	0.0%
Cement	475.6	511.4	-7.0%	13.3%	14.2%
Corporate	62.6	65.2	-4.0%	1.7%	1.8%
Total	**3,579.5**	**3,590.9**	**-0.3%**	**100.0%**	**100.0%**
BACKLOG *					
Environment	10,285.9	11,151.7	-7.8%	35.0%	36.5%
Water	14,791.6	14,955.9	-1.1%	50.4%	48.9%
Construction	4,299.9	4,482.3	-4.1%	14.6%	14.7%
Total	**29,377.4**	**30,589.9**	**-4.0%**	**100.0%**	**100.0%**

* See explanatory note for the definition of the calculation in accordance with ESMA rules (2015/1415en).

NOTE: The Cement area in 2017 does not include the US business, which was deconsolidated on 1 November 2016.

2.1.4. Income statement

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Net sales	**5,802.0**	**5,951.6**	**-2.5%**
EBITDA	**815.4**	**833.7**	**-2.2%**
EBITDA margin	***14.1%***	***14.0%***	***0.0 p.p***
Depreciation and amortisation	(370.8)	(404.8)	-8.4%
Other operating income	(8.7)	(335.3)	-97.4%
EBIT	**435.9**	**93.6**	**N/A**
EBIT margin	***7.5%***	***1.6%***	***5.9 p.p***
Financial income	(257.7)	(289.1)	-10.9%
Other financial results	(28.9)	(22.2)	30.2%
Equity-accounted affiliates	33.9	56.4	-39.9%
Earnings before taxes (EBT) from continuing operations	**183.2**	**(161.2)**	**N/A**
Corporate income tax expense	(59.6)	(35.0)	70.3%
Income from continuing operations	**123.6**	**(196.2)**	**N/A**
Income from discontinued operations	0.0	(7.3)	N/A
Net income	**123.6**	**(203.5)**	**N/A**
Non-controlling interests	(5.5)	41.9	N/A
Income attributable to equity holders of the parent company	**118.0**	**(161.6)**	**N/A**

2.1.4.1. Net sales

The Group's consolidated revenues declined by 2.5% in 2017 to €5,802 million, as a result mainly of deconsolidating the US cement business in November 2016 and, to a lesser extent, of the depreciation of certain currencies against the euro, principally the sterling pound (-6.5% year-on-year). Adjusting for both effects, consolidated revenues would have increased by 1.6%.

The Water business increased revenues steadily during the year (+1.6%) despite the decline in the Technology and Networks area (waterworks design, engineering and equipment) caused by the completion of certain projects and lower activity in certain projects, in the international arena in both cases. There was a slight increase (+0.3%) in revenues in Environmental Services, hampered by the aforementioned negative exchange rate effect in the UK (-€50.6 million in the year), which was partly offset by greater activity by the recycling plants, new contracts in Spain and the US, and increased activity in all Central European markets.

Infrastructure activities include a 1.7% increase in Construction revenues due to expanded activity on projects in Spain and some other countries, including notably Panama and Qatar, while the 36.5% decline in the Cement area is due almost entirely to deconsolidation of Giant in the US. In comparable zones, Cement revenues reflected an improvement in Spain (+9.4%) and a decline in the Tunisian market and in exports to neighbouring countries, plus a deterioration of the Tunisian currency's exchange rate against the euro.

Revenue breakdown, by region (M€)

	Dec. 17	Dec. 16	Chg. (%)
Spain	3,185.2	3,072.5	3.7%
United Kingdom	755.1	889.2	-15.1%
Middle East & Africa	653.9	716.2	-8.7%
Rest of Europe and RoW	463.1	428.4	8.1%
Latin America	414.5	356.0	16.4%
Czech Republic	264.4	241.6	9.4%
US and Canada	65.7	247.7	-73.5%
Total	**5,802.0**	**5,951.6**	**-2,5%**

Revenues increased by 3.7% in Spain to €3,185.2 million, supported by growth in all business areas. In particular, Cement registered a 9.4% increase due to the revival of private sector demand during the year, while Construction expanded by 5%, broadly as a result of more private sector business. Water increased revenues by 3.4%, due to growth in water demand in certain areas, particularly on the coast, and Environmental Services by 2.8% because of the start-up of some contracts and the expansion of others.

Latin America recovered, as revenues increased by 16.4% due to a larger contribution from certain construction projects in Panama, such as Panama City Metro line 2 and a hospital, plus Lima Metro in Peru. In the Water division, the Networks and Technology area completed a number of water projects in Chile and Uruguay.

Revenues increased by 9.4% in the Czech Republic, with particularly good performance by Environmental Services, supported by large volumes of waste processing and certain special winter work contracts, accompanied by a higher contribution from the Water business.

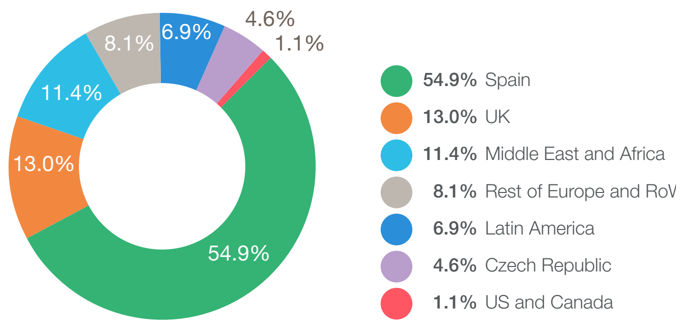
Revenues increased by 8.1% in the Rest of Europe and the Rest of the World (RoW), headed by good Environmental Services performance in Central Europe, where consolidated revenues surged 13% due to expanded activity in all the countries where the Group operates.

In the UK, revenues declined by 15.1% due basically to the exchange rate effect, as sterling depreciated by 6.5% with respect to 2016. The decline was also due, to a lesser extent, to the reduction in landfill tax receipts collected for local authorities, partly offset by a higher revenue contribution from operating energy-from-waste plants. The Construction division completed construction of the Mersey Gateway Bridge in the second half of the year.

Revenues in the Middle East and Africa declined by 8.7% as a result of shrinkage in domestic sales by the Cement business in Tunisia and the steady depreciation of the Tunisian dinar against the euro, plus a reduction in exports to neighbouring countries. Additionally, the Construction area booked an adjustment to the degree of progress with the Riyadh Metro project.

In the United States and Canada, revenues declined 73.5% as a result of deconsolidating the parent company of the Cement business in that region in November 2016. Excluding that business, revenues in that region increased by 6.5% in like-for-like terms as a result of the entry into service of a number of waste collection and treatment contracts (Florida and Texas, respectively) in the Environmental Services area, which offset the slower progress by Construction given the advanced state of the projects in the region.

% Revenues by region



2.1.4.2. EBITDA

EBITDA amounted to €815.4 million in 2017, a 2.2% decline year-on-year due to the effects discussed earlier in the context of revenues; adjusting for them, EBITDA would have increased by +2.7%. The consolidated EBITDA margin increased to 14.1% due to higher operating profitability, synergies and a reduction in the Group's overall structural and administration expenses (16.8%).

EBITDA performance by business area was as follows:

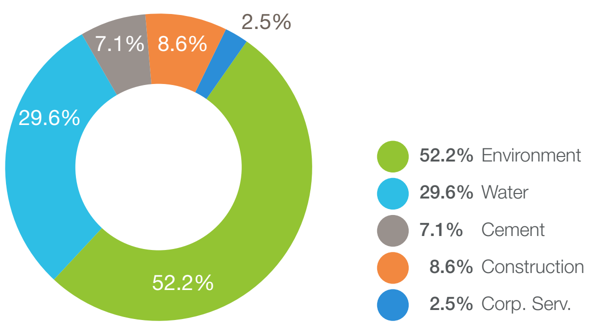
Environmental Services achieved €425.8 million in EBITDA, a 2.9% decline year-on-year. This reduction was due mainly to the exchange rate effect (pound sterling and Egyptian pound), which had an €8.8 million combined impact, and of the baseline effect of certain one-off items in 2016 (default interest and the Spanish tax on retail sale of hydrocarbons) plus other factors such as the increase in fuel costs.

The Water area reported €241.5 million in EBITDA, 4.4% more than in 2016, supported by higher returns in the concessions. The latter, plus the lower contribution by technology and networks, boosted the margin to 23.5% in the full year.

EBITDA in the Construction area amounted to €70.3 million, 27.8% more than in 2016, and the EBITDA margin improved to 4.2% in the year, a considerable increase on the 3.3% margin in 2016. This substantial improvement is also attributable to a sharp reduction in structural expenses achieved through the adjustments implemented last year.

The main impact in Cement was the deconsolidation on 1 November 2016 of the Cement business in the US; that business ceased to contribute to revenues and is now equity-accounted. This area's EBITDA declined by 35.2% to €57.8 million, as a result mainly of the elimination of the US contribution and, to a lesser extent, of operating performance in Tunisia, where sales declined and the Tunisian dinar depreciated sharply (-12.8%).

% EBITDA by Business Area



As a result of that performance by the Group's utilities areas, Environmental Services and Water accounted for 81.8% of Group EBITDA in 2017, compared with 18.2% from infrastructure construction, building and other lesser activities.

2.1.4.3. EBIT

EBIT amounted to €435.9 million, a sharp contrast with the €93.6 million in 2016. The difference between years is due mainly to the baseline effect attributable to the impairment of Cement area goodwill in the amount of €299.9 million that was recognised in September 2016. The increase in this item was also supported by an 8.4% decline in depreciation and amortisation due both to the deconsolidation in the Cement area and to the lower use of property, plant and equipment associated with Construction projects. This year's figures also include a €13.3 million extraordinary expense item due to the adjustment on the sale of industrial assets in the US in 2014.

2.1.4.4. Earnings before taxes (EBT) from continuing operations

2.1.4.4.1. Financial income

Net financial expenses declined by 10.9% year-on-year to €257.7 million in 2017. It is important to note that the financial result in 2016 included the positive impact of reducing the Tranche B debt by €58 million through a Dutch auction in April 2016. But for this effect, financial expenses would have declined by 41.2% year-on-year. The adjusted reduction is due to the progressive impact of measures to optimise the funding structure and its associated interest expenses. The positive effects of the financial optimisation measures, particularly the novation of the parent company's syndicated loan and the bonds issued by FCC Aqualia in June, will become visible progressively in the coming years.

2.1.4.4.2.Other financial results

This item amounted to € 28.9 million, contrasting with € 22.2 million in 2016. The main components of this item in 2017 were the significant exchange losses (€ 47.3 million) and the positive impact (€16 million) of the outcome of arbitration in connection with the 2013 sale of Proactiva.

2.1.4.4.3. Equity-accounted affiliates

Companies carried by the equity method contributed €33.9 million to earnings in 2017, as a result of the positive ordinary contribution by affiliates, mainly in the Water, Environmental Services and transport concession businesses, offset by losses in the Cement business in the US (Giant Cement). This contrasts with the €56.4 million recognised in 2016, which included the haircut agreed upon with Realia's lenders, which enabled that affiliate to contribute €31.5 million, and €16.4 million in dividends from a holding in a renewable energy company.

2.1.4.5. Income attributable to the parent company

Net attributable income in 2017 amounted to €118 million, contrasting sharply with the € 161.6 million in losses booked in 2016, and was due to the items referred to above plus the following factors:

2.1.4.5.1. Income tax

The corporate income tax expense amounted to €59.6 million, contrasting with €35 million last year.

2.1.4.5.2. Income from discontinued operations

Discontinued operations contributed zero in 2017, contrasting with a loss of € 7.3 million in 2016, corresponding to the impact of the sale of GVI at the beginning of that year (mainly because of the cancellation of the related financial instruments).

2.1.4.5.3. Non-controlling interests

Non-controlling interests were attributed a profit of €5.5 million in 2017, concentrated in the Water division, contrasting with a loss of € 41.9 million in 2016. This sharp year-on-year difference is due to the aforementioned effect of non-controlling interests' share in the goodwill impairment recognised in the Cement area in 2016.

2.1.5. Balance sheet

(M€)

	Dec. 17	Dec. 16	Change (M€)
Intangible assets	2,485.2	2,536.3	(51.1)
Property, plant and equipment	2,459.0	2,534.6	(75.6)
Equity-accounted affiliates	650.6	669.0	(18.4)
Non-current financial assets	328.4	322.3	6.1
Deferred tax assets and other non-current assets	837.4	946.6	(109.2)
Non-current assets	**6,760.8**	**7,008.7**	**(247.9)**
Non-current assets available for sale	41.4	14.9	26.5
Inventories	569.6	581.6	(12.0)
Trade and other accounts receivable	1,798.3	1,754.7	43.6
Other current financial assets	158.6	263.7	(105.1)
Cash and cash equivalents	1,238.3	1,146.1	92.2
Current assets	**3,806.2**	**3,761.1**	**45.1**
TOTAL ASSETS	**10,566.9**	**10,769.8**	**(202.9)**
Equity attributable to equity holders of parent company	863.9	797.5	66.4
Non-controlling interests	74.6	75.4	(0.8)
Net equity	**938.5**	**872.9**	**65.6**
Grants	215.4	225.5	(10.1)
Non-current provisions	1,141.0	1,175.6	(34.6)
Long-term interest-bearing debt	4,224.6	4,590.1	(365.5)
Other non-current financial liabilities	55.0	69.2	(14.2)
Deferred tax liabilities and other non-current liabilities	476.8	535.3	(58.5)
Non-current liabilities	**6,112.7**	**6,595.6**	**(482.9)**
Liabilities linked to non-current assets available for sale	14.2	14.9	(0.7)
Non-current provisions	165.8	202.9	(37.1)
Short-term interest-bearing debt	751.7	474.9	276.8
Other current financial liabilities	75.8	82.3	(6.5)
Trade and other accounts payable	2,508.1	2,526.3	(18.2)
Current liabilities	**3,515.7**	**3,301.3**	**214.4**
TOTAL LIABILITIES	**10,566.9**	**10,769.8**	**(202.9)**

2.1.5.1. Equity-accounted affiliates

The investment in equity-accounted companies (€650.6 million) comprised the following at 31 December 2017:

1) €209.4 million for the 36.9% stake in Realia.

2) €71.8 million for investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).

3) €82 million for holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).

4) €33.7 million for the 44.6% stake in Giant Cement Holding, the parent company of the Cement division in the US, which has been equity-accounted since November 2016, whereas it was previously fully consolidated, and €22.2 million for other companies in which the Cement area's parent company has a stake.

5) €253.7 million for other holdings (mainly transport infrastructure concessions and renewable energy companies) and loans to affiliated companies.

2.1.5.2. Non-current assets and liabilities available for sale

The entire €41.4 million balance of non-current assets available for sale at year-end corresponds to the residual business of Cemusa in Portugal and the value of the holding in the Cedinsa subgroup (an additional €27.1 million). Those assets have associated liabilities in connection with Cemusa for the same amount: €14.2 million.

2.1.5.3. Cash and cash equivalents

Cash and cash equivalents amounted to €1,238.3 million at the end of the period, 8% more than the balance at 2016 year-end; the increase was concentrated in the fourth quarter and was due to the reduction in working capital, contrasting with the trend that is normally observed in the first half every year.

2.1.5.4. Net equity

At the end of December 2017, equity amounted to €938.5 million, including an 8.3% increase attributable to the Group parent company as a result of earnings in the period.

2.1.5.5. Net interest-bearing debt

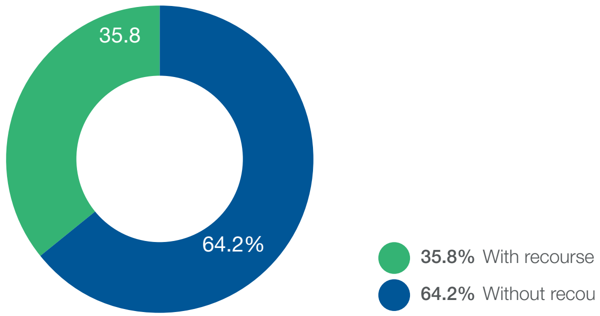
(M€)

	Dec. 17	Dec. 16	Change (M€)
Bank borrowings	3,157.2	4,536.1	(1,378.9)
Debt instruments and other loans	1,609.2	232.4	1,376.8
Accounts payable due to financial leases	59.8	49.4	10.4
Derivatives and other financial liabilities	150.1	183.1	(33.0)
Gross interest-bearing debt	**4,976.3**	**5,001.1**	**(24.8)**
Cash and other current financial assets	(1,396.8)	(1,410.1)	13.3
Net interest-bearing debt	**3,579.5**	**3,590.9**	**(11.4)**
With recourse	*1,283.1*	*2,329.1*	*(1,046.0)*
Without recourse	*2,296.4*	*1,261.8*	*1,034.6*

At the end of December 2017, net interest-bearing debt amounted to €3,579.5 million, €11.4 million less than at 2016 year-end (0.3%). That reduction is attributable to a €33.1 million reduction in working capital and to the investment of €56.1 million in the first quarter of 2017 to buy out most of the minority shareholders in the Cement area, plus €54 million invested in development of a waste-to-energy plant in the Environmental Services business in the UK, which is still under construction.

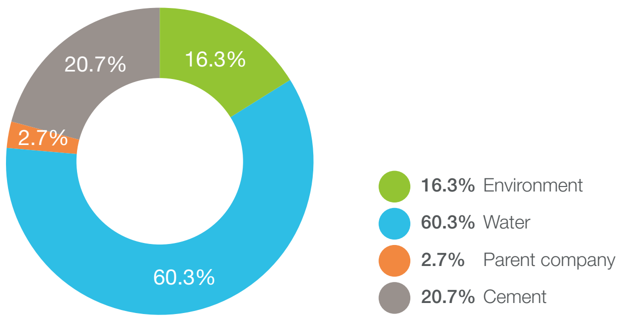
Gross interest-bearing debt also declined slightly, by 0.5% to €4,976.3 million.

Debt With and Without Recourse



Net financial debt is divided between corporate debt (35.8%) and debt without recourse (64.2%). Net debt with recourse includes mainly legacy debt from the acquisition of a number of operating companies in the various divisions (excluding Cement) which is structured mostly as a syndicated loan at parent company level. The sizeable 44.9% year-on-year reduction in this item is due to the early partial repayment of €1,069 million using funds from the FCC Aqualia bond issue in June.

Net Debt Without Recourse, by Area



Net interest-bearing debt without recourse to the Group parent company amounted to €2,296.4 million at year-end and included the two FCC Aqualia bonds totalling €1,350 million that were issued in the international capital markets in June. As a result, Water is now the division with the largest amount of non-recourse net debt (€1,383.8 million), which includes not only the aforementioned two bonds but also €189.4 million attributable to the business in the Czech Republic and the remainder to end-to-end water concessions, principally in Spain. The Cement area accounts for €475.6 million, while Environmental Services accounts for €374.4 million (€299.3 million in connection with UK activities, €53.8 million related to Central Europe, and the remainder to other waste treatment and recycling plants in Spain and Portugal). The €62.6 million at parent company level are the project debt of the Coatzacoalcos tunnel concession company in Mexico and of the Conquense highway and Tema concession companies, both in Spain.

2.1.5.6. Other current and non-current financial liabilities

The balance of other current and non-current financial liabilities, which are not classified as interest-bearing debt, amounted to €130.8 million at year-end and includes financial liabilities such as those linked to hedging derivatives, suppliers of property, plant and equipment, and deposits and guarantees received.

2.1.6. Cash flow

(M€)

	Dec. 17	Dec. 16	Chg. (%)
EBITDA	815.4	833.7	-2.2%
(Increase)/decrease in working capital	31.1	331.4	-90.6%
Income tax (paid)/received	(83.7)	(48.6)	72.2%
Other operating cash flow	6.1	(91.6)	N/A
Operating cash flow	**768.9**	**1,024.9**	**-25.0%**
Investment payments	(333.1)	(448.6)	-25.7%
Divestment receipts	173.6	294.2	-41.0%
Other investing cash flow	8.6	59.7	-85.6%
Investing cash flow	**(150.9)**	**(94.7)**	**59.3%**
Interest paid	(185.6)	(316.3)	-41.3%
(Payment)/receipt of financial liabilities	(244.8)	(1,452.7)	-83.1%
Other financing cash flow	(43.3)	677.7	N/A
Financing cash flow	**(473.7)**	**(1,091.3)**	**-56.6%**
Exchange differences, change in consolidation scope, etc.	(52.1)	(38.3)	36.0%
Increase/(decrease) in cash and cash equivalents	**92.2**	**(199.4)**	**N/A**

2.1.6.1. Operating cash flow

In 2017 as a whole, operating cash flow amounted to €768.9 million, i.e. €256 million less than in 2016 despite a substantial improvement in cash conversion, due entirely to lower working capital (€ 300.3 million).

This sizeable difference in working capital performance in 2017 is due to the variation between years in the volume of receivables sold without recourse. Whereas this balance increased by €283.5 million in 2016, it declined by €100.5 million in 2017. Consequently, excluding variations in the sale of receivables between years, working finance needs improved in 2017 with respect to 2016 as a result of the sustained efforts to improve the Group's cash conversion ratio.

(M€)

	Dec. 17	Dec. 16	Change (M€)
Environment	(7.0)	326.2	(333.2)
Water	43.7	21.6	22.1
Construction	(0.3)	41.0	(41.3)
Cement	4.4	(10.4)	14.8
Corporate services and adjustments	(9.7)	(47.0)	37.3
(Increase)/decrease in working capital	**31.1**	**331.4**	**(300.3)**

Environmental Services accounted for the bulk of the year-on-year variation in working capital, basically because of the aforementioned variation in sales of receivables, with a positive baseline effect in 2016 due to receipt of an advance upon delivery of the Buckinghamshire incinerator plant in the UK.

Other operating cash flow refers mainly to cash arising from a €6.1 million variation in provisions in all business areas, contrasting with €91.6 million applied in 2016, basically because of lower provisioning needs (concentrated in the Construction area).

2.1.6.2. Investing cash flow

Investing cash flow totalled €150.9 million in 2017, compared with €94.7 million in 2016.

Investment payments amounted to €333.1 million, concentrated in the Environmental Services area (€210.1 million, including €54 million invested in developing an energy-from-waste plant in the UK). The year-on-year reduction is due to containment of capital spending in the more capital-intensive business areas (i.e. Water and Environmental Services) coupled with lower needs in Construction, plus the payments for equity issues by Realia, which were subscribed for by FCC in the amount of €87.3 million, in line with its 36.9% stake.

Divestment receipts declined to €173.6 million, from €294.2 million in 2016. Some of the main items in 2017 were in Corporate Services, i.e. receipt of the second payment for the sale of GVI, amounting to €106.4 million, and the sale of the company's 3.4% stake in Xfera for €29.1 million.

The breakdown of net investments by area, in terms of net investment payments and divestment receipts, is as follows:

(M€)

	Dec. 17	Dec. 16	Change (M€)
Environment	(201.8)	(150.9)	(50.9)
Water	(67.1)	(55.0)	(12.1)
Construction	(10.7)	(22.7)	12
Cement	2.2	0.9	1.3
Corporate services and adjustments	117.9	73.3	44.6
Net investments *(Payments - Receipts)*	**(159.5)**	**(154.4)**	**(5.1)**

Other investing cash flows refer to the financial interest received plus other changes in loans to third parties and investees, mainly in the Water and Construction divisions.

2.1.6.3. Financing cash flow

Consolidated financing cash flow amounted to €473.7 million in the period, compared with €1,091.3 million the previous year. The (payment)/receipt of financial liabilities item reflects the net effect of early repayment of a material amount of the Group parent company's syndicated loan using funds from the two bonds issued by FCC Aqualia in June, which amounted to a combined €1,350 million; last year, this item reflected debt repayment using funds from the capital increase performed in the first quarter of 2016.

Interest payments were reduced by 41.3% year-on-year to €185.6 million; this item continues to decline as a result of successive funding optimisation measures, particularly those completed in June by the parent company and the Water area, whose impact will be more evident at full financial year.

Payment/receipt of financial liabilities includes an outflow of €56.1 million in February 2017 to settle FCC's delisting bid for Cementos Portland Valderrivas, in which it increased its effective stake to 99.04% at 31 December 2017.

2.1.6.4. Exchange differences, change in consolidation scope, etc.

This item reflects a negative variation of €52.1 million in 2017, compared with a negative €38.3 million variation in 2016. The negative trend is attributable to the effect of exchange rate fluctuations on the Group's cash balance due to the euro's appreciation, which were concentrated in the Construction area.

2.1.6.5. Variation in cash and cash equivalents

Combining the various cash flows, the Group's cash position increased by €92.2 million with respect to 2016 year-end, to €1,238.3 million at 31 December 2017.

2.1.7. Business performance

2.1.7.1. Environment

The Environmental Services area accounted for 52.2% of Group EBITDA. The bulk of its activities (95% in 2017) involve municipal solid waste collection, treatment and disposal, along with other municipal services such as street cleaning and green area upkeep. The other 5% corresponds to industrial waste collection and management.

FCC's business in Spain focuses on municipal waste management and street cleaning; in the UK, it is involved principally in municipal waste treatment, recovery and disposal; in Central and Eastern Europe, mainly Austria and the Czech Republic, FCC has a balanced presence throughout the waste management chain (collection, processing and disposal).In Portugal and other countries, such as the US, FCC is involved in both industrial and (principally) municipal waste management.

2.1.7.1.1. Results

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Revenues	2.736,0	2.728,1	0,3%
Environment	*2.598,8*	*2.598,7*	*0,0%*
Industrial Waste	*137,2*	*129,4*	*6,0%*
EBITDA	425,8	438,7	-2,9%
EBITDA margin	*15,6%*	*16,1%*	*-0,5 p.p*
EBIT	203,4	221,8	-8,3%
EBIT margin	*7,4%*	*8,1%*	*-0,7 p.p*

The Environmental Services area achieved €2,736 million in revenues in the year, 0.3% more than in 2016. This limited increase is broadly attributable to the depreciation of the pound sterling and the Egyptian pound; adjusting for the currency effect, this area's revenues would have increased by 2.2%.

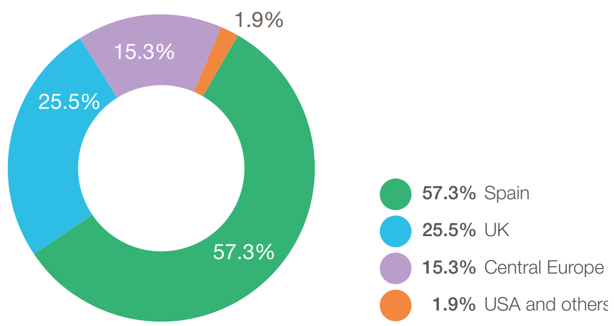
Revenue breakdown, by region *(M€)*

	Dec. 17	Dec. 16	Chg. (%)
Spain	1,568.5	1,526.0	2.8%
United Kingdom	698.3	776.0	-10.0%
Central Europe	418.6	381.6	9.7%
USA and others	50.6	44.5	13.7%
Total	**2,736.0**	**2,728.1**	**0.3%**

Revenues in Spain increased by 2.8% year-on-year to €1,568.5 million, favoured by contract renewals and extensions obtained in previous periods. Revenues in the UK fell 10% to €698.3 million, as a result mainly of sterling's depreciation (6.5%) and, to a lesser extent, of the smaller contribution from landfill levies in the landfill business and the development of waste treatment plants for operation. At constant exchange rates and excluding the aforementioned factors, revenues in the UK would have increased by 3.6% in 2017.

Revenues in Central Europe increased by 9.7% to €418.6 million, mainly due to a larger volume of winter business in the Czech Republic and a general increase in activity in the other countries in the region, including notably Austria and Romania. Revenues in the USA and other markets increased by 13.7% due to the steadily rising contribution from new waste management contracts that have become operational in Texas and Florida, which offset the negative effect of the Egyptian pound's 48.9% depreciation year-on-year.

Revenue Breakdown, by Region



EBITDA amounted to €425.8 million, a 2.9% reduction year-on-year, due broadly to sterling's depreciation (equivalent to €8.8 million) and to other lesser effects such as the baseline effect of a number of extraordinary items booked in 2016 (default interest and the Spanish tax on the retail sale of hydrocarbons) plus higher energy costs.

EBIT declined by 8.3% year-on-year to €203.4 million due to the aforementioned EBITDA performance and a number of extraordinary expenses, including notably €13.3 million for settling a claim in connection with the sale of industrial waste management assets in the US in 2014.

Backlog breakdown, by region

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Spain	6,129.9	6,663.9	-8.0%
International	4,156.0	4,487.8	-7.4%
Total	**10,285.9**	**11,151.7**	**-7.8%**

This area's backlog declined by 7.8% year-on-year to €10,285.9 million due broadly to delays in the award of certain contracts in Spain coupled with the negative impact of depreciation by the pound sterling and the US dollar. The total backlog amounts to close to 4 times revenues in the last twelve months.

2.1.7.1.2. Financial debt

(M€)

	Dec. 17	Dec. 16	Change (M€)
Without recourse	374.4	439.0	(64.6)

The area's net interest-bearing debt without recourse declined by €64.6 million in the year. Of that amount, €299.3 million relate to the UK, €53.8 million to Central Europe, and the remaining €21.3 million to two waste treatment and recycling plants in Spain.

2.1.7.2. End-to-End Water Management

The Water area accounted for 29.6% of FCC Group EBITDA in the year.Public concessions and end-to-end water management (capture, potabilisation, distribution and sanitation) account for 90% of total revenues, and Technology and Networks (water infrastructure design, engineering and equipment) account for the other 10%.

This area serves more than 13 million people in over 850 municipalities in Spain. In Central Europe, it serves 1.3 million users, mainly in the Czech Republic. It also has a strong presence in Italy and Portugal. FCC designs, equips and operates water treatment plants in Latin America, the Middle East and Africa. Overall, the Water division supplies water and/or sewage treatment services to over 23.6 million people.

2.1.7.2.1. Earnings

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Revenues	1.025,9	1.009,8	1,6%
Concessions and services	*923,8*	*904,3*	*2,2%*
Technology and networks	*102,1*	*105,5*	*-3,2%*
EBITDA	241,5	231,4	4,4%
EBITDA margin	*23,5%*	*22,9%*	*0,6 p.p*
EBIT	153,2	144,1	6,3%
EBIT margin	*14,9%*	*14,3%*	*0,7 p.p*

This area's revenues amounted to €1,025.9 million, a 1.6% increase on 2016, due to the increase in revenues from concessions and services in a range of markets, principally Spain. This effect was partly offset by a reduction in the technology and networks business in the international arena.

Revenue breakdown, by region

(M€)

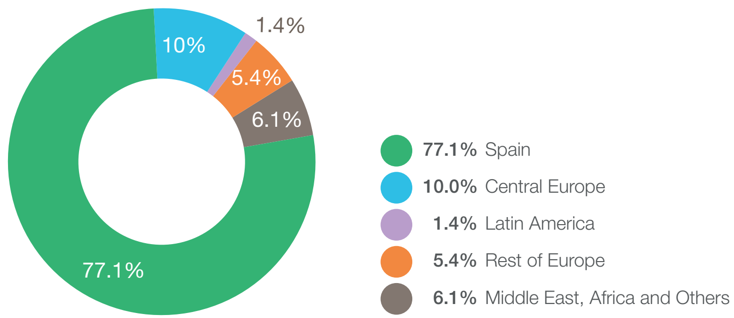
	Dec. 17	Dec. 16	Chg. (%)
Spain	790.9	764.8	3.4%
Central Europe	103.0	93.2	10.5%
Latin America	14.5	31.7	-54.3%
Rest of Europe (Portugal and Italy)	55.8	54.4	2.6%
Middle East, Africa and Others	61.7	65.7	-6.1%
Total	**1,025.9**	**1,009.8**	**1.6%**

Revenues in Spain increased by 3.4%, basically as a result of growth in the concession business, which achieved a higher volume of billing, and the contribution by new contracts.

On the international front, revenues declined in Latin America as a result of a slower pace of project execution since several technology and network contracts, basically in Chile and Uruguay, entered the final phase or were concluded. In this respect, a number of new contacts obtained in this region in 2017 should change this trend as they are implemented.

Revenues increased by 2.6% in Portugal and Italy, but shrank by 6.1% in the Middle East and Africa due broadly to the progressive completion of ancillary works on Riyadh Metro.

Revenue Breakdown, by Region



EBITDA increased by 4.4% year-on-year, to €241.5 million, favoured by the increase in the EBITDA margin to 23.5% (from 22.9%). That performance was driven fundamentally by the increase in the contribution by the concession business, whose margins are higher than those of technology and networks, and by the aforementioned increase in consumption, which increases profitability.

Backlog Breakdown, by Region *(M€)*

	Dec. 17	Dec. 16	Chg. (%)
Spain	8,274.9	8,753.0	-5.5%
International	6,516.7	6,202.9	5.1%
Total	**14,791.6**	**14.955,9**	**-1.1%**

The backlog declined by 1.1% with respect to 2016 year-end, to €14,791.6 million, as a result of a contraction of the domestic backlog (due broadly to a lower number of public tenders and renewals), which was offset to a great extent by growth in the international backlog. The area's backlog is close to 14 times the last year's revenues.

2.1.7.2.2. Financial debt

(M€)

	Dec. 17	Dec. 16	Change (M€)
Without recourse	1,383.8	246.2	1,137.6

Net interest-bearing debt, all of which is without recourse to the Group parent company, increased sharply with respect to 2016 year-end, to €1,383.8 million. This strong increase is due to the issuance on 8 June of two bonds by the area's parent company, at 5 and 10 years, for a combined €1,350 million, With these new funds raised in the market, all the area's funding is without recourse to the Group parent company and is free-standing. The bond issue also made it possible to adapt the long-term capital structure in line with the area's nature and cash flow.

In addition to those bonds, the area's net debt at the end of the year also included €189.4 million related to the business in the Czech Republic, and €60.5 million is connected to an end-to-end water concession in Spain (Aquajerez).

2.1.7.3. Construction

The Construction area contributed 8.6% of FCC Group EBITDA in 2017. It is mainly involved in the design and construction of large civil engineering projects and, to a lesser extent, landmark buildings and industrial works in certain geographies. In particular, it undertakes highly complex public works such as railways, tunnels and bridges, which account for the bulk of its activity.

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Revenues	1,681.5	1,652.6	1.7%
EBITDA	70.3	55.0	27.8%
EBITDA margin	*4.2%*	*3.3%*	*0.9 p.p*
EBIT	84.8	(47.4)	N/A
EBIT margin	*5.0%*	*-2.9%*	*7.9 p.p*

This area's revenues increased by 1.7% to €1,681.5 million due to improved business in the domestic market, while international revenues were in line with the previous year.

Revenue breakdown, by region *(M€)*

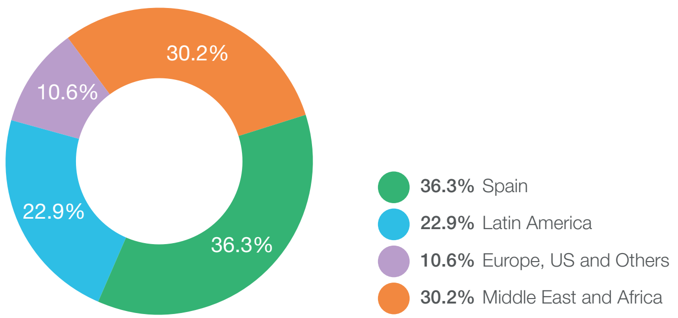
	Dec. 17	Dec. 16	Chg. (%)
Spain	609.6	580.8	5.0%
Middle East and Africa	507.9	534.3	-4.9%
Latin America	384.8	295.5	30.2%
Europe, US, etc.	179.2	242.0	-26.0%
Total	**1,681.5**	**1,652.6**	**1.7%**

Revenues in Spain increased by 5% due broadly to greater progress with projects for private sector customers, which amply offset the persisting adverse situation of scant activity and low public investment in infrastructure.

Revenues in the Middle East and Africa fell by 4.9% due to a readjustment of the degree of progress with the Riyadh Metro project in Saudi Arabia. That decline was amply offset by 30.2% year-on-year growth in revenues in Latin America, attributable mainly to the larger contribution by Panama City Metro Line 2 and, to a lesser extent, by Lima Metro Line 2 (Peru).

Revenues in Europe, the US and other markets declined by 26% due to the smaller contribution from projects that have been completed or are nearing completion in the UK, Finland and the US, which were not fully offset by new projects in other markets, including notably the project to upgrade aircraft fuelling facilities at Dublin airport (Ireland) and railway projects obtained in Romania during 2017.

Revenue Breakdown, by Region



EBITDA amounted to €70.3 million, significantly higher than the €55 million registered in 2016, which included recognition of losses on certain international projects and of provisions for taxes. This substantial improvement was also supported by a sharp reduction in structural expenses achieved through the adjustments implemented the previous year.

EBIT amounted to €84.8 million in 2017, including €40 million profit on the sale of real estate subsidiary FCyC to the Group parent company in the first quarter, an internal transaction that has no impact on the FCC Group's consolidated results. The €47.4 million loss booked in 2016 included a €53.4 million provision to adjust production resources to the lower demand for infrastructure investment in Spain. But for those two effects, EBIT would have increased by €38.8 million year-on-year.

Backlog Breakdown, by Region

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Spain	998.2	1,038.7	-3.9%
International	3,301.7	3,443.6	-4.1%
Total	**4,299.9**	**4,482.3**	**-4.1%**

The area's backlog increased by 4.1% in the year, to €4,299.9 million. The backlog in Spain shrank by 3.9% due to persisting low government expenditure on infrastructure. The trend in the international area was similar, as the backlog declined by 4.1% year-on-year, while the company applied a more selective approach, focused on profitability, when seeking and implementing projects. Nevertheless, the backlog at year-end amounted to 2.5 times the previous year's revenues.

Backlog breakdown, by business segment

((M€)

	Dec. 17	Dec. 16	Chg. (%)
Civil engineering	3,366.7	3,467.2	-2.9%
Building	574.6	654.9	-12.3%
Industrial projects	358.7	360.2	-0.4%
Total	**4,299.9**	**4,482.3**	**-4.1%**

Civil engineering work accounts for 78.3% of the total backlog and building for 13.3% (a sharper decline with respect to last year because of the conclusion of certain landmark projects in Spain); industrial contracts account for the remaining 8.4%.

2.1.7.4. Cement

The Cement area accounted for 7.1% of FCC Group EBITDA in 2017, through Cementos Portland Valderrivas (CPV), in which the FCC Group parent company has a 99.04% effective stake. This area produces mainly cement; it has seven factories in Spain and one in Tunisia, as well as a 44.6% stake in Giant Cement, which has three cement factories on the Eastern Seaboard of the United States.

2.1.7.4.1. Results

(M€)

	Dec. 17	Dec. 16	Chg. (%)
Revenues	340.4	536.2	-36.5%
Cement	*309.6*	*480.1*	*-35.5%*
Other	*30.8*	*56.1*	*-45.1%*
EBITDA	57.8	89.2	-35.2%
EBITDA margin	*17.0%*	*16.6%*	*0.3 p.p*
EBIT	26.1	(120.4)	-121.7%
EBIT margin	*7.7%*	*-22.5%*	*30.1 p.p*

This area's revenues declined by 36.5% year-on-year to €340.4 million, mainly as a result of deconsolidating the US subsidiary, Giant Cement, as of 1 November 2016 and, to a lesser extent, of the depreciation of the Tunisian dinar.

Revenue breakdown, by region *(M€)*

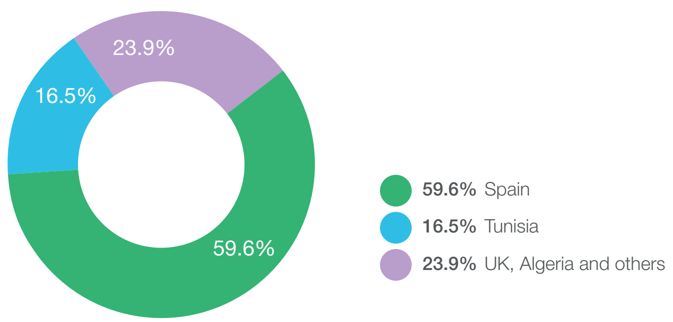
	Dec. 17	Dec. 16	Chg. (%)
Spain	202.9	185.5	9.4%
US and Canada	1.9	186.1	-99.0%
Tunisia	56.3	68.7	-18.0%
UK and others	79.3	95.9	-17.3%
Total	**340.4**	**536.2**	**-36.5%**

Revenues in Spain increased by 9.4% due to growth in demand volume and a slight improvement in selling prices, all driven by strong domestic demand for construction, which was concentrated in the private sector.

Revenues in Tunisia declined by 18% because of a combination of 12.8% year-on-year depreciation by the Tunisian dinar and a decline in volumes of both domestic sales and exports to Algeria.

Revenues from exports to the UK and other markets declined by 17.3% due to the sharp reduction in exports to certain countries in Africa. Hardly any revenues were recognised in the US or Canada in the period since the business in that region was deconsolidated in November 2016, as described in the preceding section.

Revenue Breakdown, by Region



EBITDA fell by 35.2% to €57.8 million, from €89.2 million the previous year. This difference is mainly due to the lack of a contribution from the US in 2017 and, to a lesser extent, to the aforementioned effects on revenues in Tunisia.

EBIT improved to €26.1 million despite lower EBITDA, contrasting with € 120.4 million in 2016. This change in performance is due to the €187.2 million impairment of goodwill recognised in 2016.

2.1.7.4.2. Financial debt

(M€)

	Dec. 17	Dec. 16	Change (M€)
Without recourse	475.6	511.4	(35.8)

The area's net interest-bearing debt, which is entirely without recourse to the FCC Group parent company, consists mainly of a €419.7 million syndicated loan. The €35.8 million decline with respect to 2016 year-end is attributable mainly to the repayment of €36 million of that funding in 2017.

2.2. Business performance Environment

The information relating to the FCC Group's Environmental Policy is described in greater detail in Note 29 to the consolidated financial statements.

The FCC Group's strategy is based on a commitment to social responsibility in relation to environmental services, complying with the applicable legal requirements, respect for its relationship with its stakeholders and its desire to generate wealth and social well-being.

At the FCC Group, the following principles, which form the basis of its contribution to sustainable development, are encouraged and stimulated throughout the organisation:

- 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.
- Controls 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.
- Care for the environment and innovation: To identify the risks and opportunities pertaining to the activities with respect to the changing natural environment in order to promote innovation and the use of new technology and generate synergies among the FCC Group's various activities.
- Life cycle of the products and services: To make environmental considerations a priority in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.
- Ensure the participation of all: To promote awareness and application of the environmental principles among employees and other stakeholders.

2.3. Business performance Employees

Following is a detail, by business area, of the FCC Group's headcount at the end of 2017:

AREAS	Spain	Abroad	Total	%s of Total	% Chg. 2016
Environment	31,375	8,864	40,239	70%	1.95%
Water Management	6,100	1,777	7,877	14%	-0.94%
Construction	3,418	4,488	7,906	14%	39.41%
Cement	763	316	1,079	2%	-1.28%
Central Services and Other	303	1	304	1%	7.42%
TOTAL	**41,959**	**15,446**	**57,405**	**100%**	**5.39%**

3 Liquidity and capital resources

Liquidity

To optimise its financial position, the FCC Group maintains a proactive liquidity risk management policy by monitoring cash and its projections on a daily basis.

The FCC Group meets its liquidity requirements through the cash flows generated by the businesses and through the financial agreements reached.

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 20 to the consolidated financial statements).

Note 30 of the consolidated report explains the policy implemented by the FCC Group to manage its liquidity risk and associated mitigating factors.

Capital resources

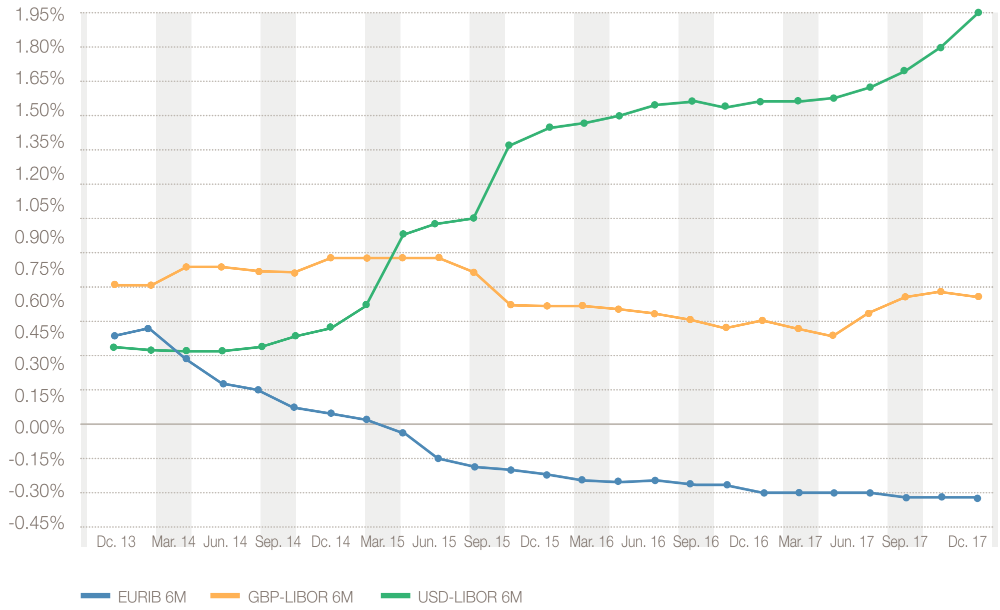
The Group manages its capital to ensure that the Group companies are capable of continuing as profitable and solvent businesses.

As part of capital management operations, the Group obtains financing through a wide variety of financial products from more than 50 Spanish and international financial institutions.

In 2014 the Group completed a EUR 4.528b global financing process and in recent years it has reached various limited recourse debt refinancing agreements (see Note 20 to the consolidated financial statements). At the end of 2014 a capital increase of almost EUR 1,000,000 thousand was effected, with another on 4 March 2016 for EUR 709,519 thousand, both allocated to strengthening the Company's capital structure.

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.

How interest rates have evolved in recent years is shown below.



This section is discussed in further detail in Note 30 to the consolidated financial statements.

4 Main risks and uncertainties

4.1. Risk-Management System and Policy

The FCC Group has a risk-management policy and system approved by the Board of Directors, designed to identify and assess potential risks that could affect business and build mechanisms into the organisation's processes to enable risks to be managed within acceptable levels, giving the FCC Board of Directors and management a reasonable degree of assurance that targets can be met. Its scope of application established under the risk-management policy and system of the FCC Group covers all the member companies, as well as affiliates in which FCC has effective control and companies newly taken over as soon as the acquisition is effective.

It also covers employees of the FCC Group who are attached to consortia, JVs and mixed companies.

Risk management at FCC is governed, among other principles, by integrating the risk/opportunity vision and allocating responsibilities, which, together with segregating duties, facilitates effective monitoring and control of risks, consolidating an appropriate control environment.

The risk scenarios considered have been classified into four groups: Strategic risks, operational risks, compliance risks, financial risks and reporting risks.

The activities that fall within the scope of the FCC Group's risk-management system include risk assessment in terms of impact and likelihood of occurring, resulting in risk maps by unit or role and a risk consolidated risk map for the group as a whole, subsequently devising prevention and control actions to mitigate the effect of the risks identified. The system also establishes reporting flows and communication mechanisms at different levels to facilitate continuous review and improvement.

Details of the risk-management duties and responsibilities at the different levels of the organisation are provided in section E, on risk-control and management systems, of the Annual Corporate Governance Report.

4.2. Main risks and uncertainties

The FCC operates in a number of sectors worldwide. This means that its business is subject to diverse socioeconomic environments and regulatory frameworks, as well as different risks inherent to its operations and risks stemming from the complexity of the projects it is involved in, which could affect how its goals are accomplished.

Details of the main strategic, operational and compliance risks that could affect the Group's business and a description of the systems used to manage and monitor them are contained in section E of the Annual Corporate Governance Report.

With regard to financial risks, considered as variations in the financial instruments taken out by the FCC Group because of political, market-related and other factors, and their impact 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. The financial risks to which the Group is exposed are discussed in greater depth in note 30 of the consolidated financial statements and in section E of the Annual Corporate Governance Report.

The FCC Group is also subject to certain risks related to environmental and social issues, the management of which is explained in more detail in sections 8 and 9 of this Directors' Report.

5 Acquisition and disposal of treasury shares

On 31 December 2017 the FCC Group directly or indirectly held a total of 230,100 treasury shares, representing only 0.06% of the share capital.

The operations to acquire and dispose of treasury shares during the period are itemised in Note 18 of the consolidated Report.

6 Significant events after the reporting period

On 17 November 2017 the companies FCC Aqualia and MIT Infrastructure Europe Ltd publicly certified an agreement entered into on that date under which the former acquired from the second 49% of the share capital held in the companies Aqualia Czech S.L. and Aqualia Infraestructuras Inzenyring s.r.o. for a price of €83,435,000 and €9,065,000, respectively.

On 9 January 2018, both these sums were paid up following receipt of the Protection of Competition authorities' authorisation for the share transfer to proceed.

On 20 February 2017 the Group reported that following the receipt of a bid by the investment fund IFM Global Infrastructure Fund ("IFM") to purchase a minority stake in the company FCC Aqualia S.A., exclusive negotiations between FCC and IFM are at advanced stages regarding the acquisition by IFM of a 49% stake in FCC Aqualia S.A.

7 Company outlook

Set forth below are the prospects for 2018 for the main business areas composing the FCC Group.

The countries where the **Environmental Services**, division operates are undergoing a process of profound transformation, owing to the environmental requirements of national governments, driven by EU directives and being subject to a consolidation process, with an increase in concentration and the arrival of new competitors.

In the UK economic activity is expected to slow down in 2018, owing to cuts to public authorities' budgets.

As for central and eastern Europe, moderate growth in central Europe, with risks of greater intervention and municipalisation of services in certain eastern European countries, such as Hungary.

With regard to opportunities in the US market, a large number of tender processes for urban-waste services will be launched in the coming years.

In Portugal there are major business opportunities related to decontamination actions on environmental liabilities.

In the area of **End-to-end water management,** certain concession contracts in Spain are set to come to an end in 2018, with similar renewal rates to those in 2017 expected, i.e. close to 100%, with a more active market this year offering better contracting opportunities. Also coming to an end are several major contracts operated by other firms in the sector: Lugo, San Cugat del Vallés (Barcelona), Manises (Valencia), Requena (Valencia), Santiago de Compostela (La Coruña), Fuengirola (Málaga), Orense, and Zamora.

Central and regional governments are not currently calling for tenders for major water-infrastructure concessions, mainly because of the tax-consolidation and debt-reduction process that the authorities are continuing to apply, thus increasing the shortfall in infrastructure renewal and growth. As an example, in the wastewater-treatment area, the average proportion of water in Europe that is treated with tertiary treatments (thereby enabling it to be subsequently reused) stands at 67%, while in Spain – the European country with the greatest water stress, because if its climatic and hydrological characteristics — it is only 60%. In 2018 the "Castile–La Mancha Water Treatment Programme (PLAN DEPURACLM 100%)" is set to be called for tender, with 10 lots for the building or refurbishment of 556 WWTPs. The main object is the design and build, financing and operation of the works for a period of 25 years. The estimated value of these contracts is €1.742 billion. Other Spanish regional governments (e.g., Andalusia and Extremadura) are expected to undertake similar initiatives.

With the formation of the new government in the final quarter of 2016 a number of legislative initiatives and the transposition of EU directives have been resumed. However, no progress has been made with the setting-up of a state regulator, despite the considerable demand from all the stakeholders involved.

The Public-Sector Contracts Act will come into force in early 2018. Its effects on the sector will mostly be related to the solvency to be required from tenderers, adaptations to concession terms, reviews of the cause of claims for financial imbalance in concessions, and regulation of the review system for tariffs in contracts. Also, application of the Regulations of the De-Indexing Act has gradually been implemented across all public authorities, with little effect on the fixing of remuneration-review mechanisms.

In the international market:

- In Mexico, the experience gained with various contracts is being put to good use by planning for similar projects, where more demanding technical and financial capacities have made FCC Aqualia a benchmark.
- In Colombia, development has begun on the El Salitre WWTP in Bogota and the San Silvestre WWTP in Barrancabermeja. The company is following up business opportunities to manage integrated services in major towns in the country under municipal concession models, and for the design, build and financing of infrastructure for wastewater treatment and new sources for drinking-water supplies in areas where these are needed.

- In Peru, the national government is currently assessing the efficiency of its utilities with a view to shifting to private initiatives for those presenting the worst management indicators. In 2017 five private wastewater-treatment initiatives were presented for the Trujillo, Cajamarca, Cusco, Chincha and Cañete districts, pending official declaration of interest in 2018. New business opportunities will arise promoted by PROINVERSION, which stimulates investment in the country, and outsourcing projects by SEDAPAL, Lima's municipal water utility.

- In Chile, the mining sector continues to offer some interesting business opportunities for the production of desalinated water for mines. Aqualia works with long-established clients in this sector to extend and refurbish their facilities. Business opportunities are also expected related to rotating assets at some of their utilities.

- In Panama, the national government is developing an ambitious water-infrastructure project in which Aqualia is playing an active role. One example is the recent award of the engineering design, build and operation for 10 years of Arraiján WWTP, which will treat water for a population of 130,000. The company has also submitted a bid for support and consulting on operational and commercial management for IDAAN, the country's water-management body. The contract was won in February 2017.

- In Portugal, the concessions business is expected to be reactivated after the local elections in the last quarter of 2017, spurred by the budget deficit suffered by local authorities and the need to invest in infrastructure.

- In the Czech Republic in 2017, the regulatory framework cancelled the tariff incentives that had been applied to investment by asset owners. This tariff component was recovered for 2018 and will bring with it an improvement in the EBITDA that will be used to increase investment. Tender processes are expected for the private-management contracts for water and sanitation in major urban areas in northern Bohemia and the southern Czech Republic, and new leasing contracts without including investment by the operator are also likely. The year's most significant event, however, has been the buy-back from Mitsui of its stake in SmVak and Aqualia Engineering.

- In North Africa, seawater desalination and wastewater purification constitute business opportunities in the countries in which Aqualia already has a presence, as is the case in Algeria, Tunisia and Egypt. In Algeria this year a major agreement has been closed with the client for the Mostaganem desalinisation plant, Sonatrach, to build a new capture facility to enable the plant's production capacity to be increased. These works will begin during the first quarter of 2018, lasting two years. Two O&M agreements have also been closed for the Mostaganem and Cap Djinet plants, regularising items not billed to the client since the beginning of operations and enabling the profitability of both projects to be increased. With regard to new opportunities, the government has announced new desalinisation projects in several coastal cities that will be developed in 2018.

- In Egypt, Aqualia has made significant progress in its execution of the contract for the design, build and operation of El Alamein desalinisation plant, with a capacity of 150,000 m^3/day under conditions that guarantee completion regardless of the economic instability that the country is suffering. Egypt's tax and trade deficit, high interest and inflation rates and limitations accessing strong foreign currency forced the Egyptian government to apply economic measures such as public-spending cuts and free flotation of the Egyptian pound. In 2017 the country has been more stable and market conditions have improved.

- Thus, the project to build, finance and operate the Abu Rawash treatment plant, which was awarded to a consortium including Aqualia via its subsidiary in partnership with the EBRD, has been turned into an EPC (engineering, procurement, construction) project, with an increased scope to be completed but financed against state funds. Owing to the limited availability of water in Egypt, the defence ministry is expected to call for tender several new large desalinisation plants to supply the population in the Mediterranean and Red Sea regions. Also, the extension of the Suez Canal and creation of new industrial and mining areas suggest that the demand for water for their development will continue to increase.

- In Tunisia, the Djerba practically has practically been completed this year. With a capacity of 50,000 m^3/day, it will assure the water supply for the island's population and further development of tourism. Also in 2018, SONEDE plans to call for tenders for new seawater-desalinisation plants for the towns of Zarat and Sfax. Projects will also be launched by ONAS for several WWTP refurbishment and O&M projects.

- In the Middle East, where population growth is reaching up to 8% per year in some countries, the serious reduction in earnings from oil is forcing nations in the Gulf to withdraw subsidies and use private initiatives to develop their water-infrastructure projects.

- In Saudi Arabia, progress has been made on the Riyadh Metro affected-services contract, where Aqualia has completed work on line 4 and is still working on lines 5 and 6, which will continue into 2018. With regard to new projects, the Saudi government has commissioned WEC (Water & Electricity Company) with the execution of an ambitious plan to build water infrastructure to include both the production of desalinated water for water supplies and wastewater treatment. These include the projects for Rabigh 3 (with a capacity of 600,000 m^3/d), Shuqaiq 3 (380,000 m^3/d) and Yanbu (450,000 m^3/d) in the desalinisation sector; and Damman and Jeddah (330,000 and 500,000 m^3/d, respectively) in treatment. The NWC (National Water Company), which manages the distribution of drinking water for major cities, will complete some of the concession projects that is has been designing for several years. These include renewal of the O&M contract for the Haddah and Arana plants, each with a capacity of 250,000 m^3/d, and extension of the treatment capacity at the Arana plant, completed in late 2017.
- Oman is also continuing to develop its desalinisation plan through public–private initiatives. In 2017 Aqualia has entered the country by winning the contract for management of the end-to-end water cycle in the Sohar port area, for a 20-year period, in partnership with the Omani public concessionaire company Majis.
- In the UAE tender processes are expected to be called for O&M contracts and the construction of desalinisation plants, most notably the BOT contract for Umm al Quwain desalinisation plant.
- In Qatar, even though the political and trade blockade by Saudi Arabia and the UAE has caused a slow-down in investment projects, in 2018 operations are expected to begin at Al Dhakhira WWTP, with a capacity of 55,000 m^3/d, where Aqualia won the O&M contract for the next 10 years.

In the **Construction** area, although the Spanish economy has begun to show signs of recovery, this improvement is not expected to give rise to any significant growth in the amount of public contracting, which continues to present levels that are far below those recorded before the 2008–2013 economic crisis. Given this situation of less public tendering in the Spanish market, FCC tends to look towards diverse international markets.

One objective of the Group in 2018 will be to seek contracts, mainly through the international market, by means of demanding risk management to give access to a selective portfolio of projects with assured profitability, higher profits and better cash generation.

Taking into account the foregoing, it is estimated that revenue in Spain in 2018 will remain similar with respect to 2017, due mainly to budgetary restrictions in the public sector.

Revenue from abroad in 2018 is expected to be similar to that earned in 2017, with the performance of large infrastructure construction projects obtained over the 2015-2017 period and the contribution made by the markets in the Americas (Central America, Chile, Peru, Colombia and the US), the Middle East (Saudi Arabia and Qatar) and Europe (the UK and Romania).

In the **Cement** Area, in 2017 the recovery of the Spanish economy has continued, thanks to increasing domestic demand, with expected GDP growth of 3.1%, a 31.6% increase in the number of public tender processes compared with last year (according to SEOPAN, the Association of Infrastructure Construction and Concessionaire Firms), and a 7.8% drop in the unemployment rate. This improvement in the Spanish economy can be seen in cement consumption, the demand for which has grown by 10% according to estimates in January 2018 by the sector's employers' association Oficemen.

Business in the construction sector in 2017 has been characterised by a continuing process of recovery in building and a slowing-down in the decline in public investment. The socio-political situation in 2016 meant that public-investment figures to fell back significantly.

According to Oficemen's 2017 year-end estimate, apparent cement consumption during the year rose by 10%, to 12.3 M tonnes, although this has been offset by a 10% fall in exports, to 8.9 M tonnes.

The IMF and Bank of Spain have both forecast 2.4% growth for Spain in 2018, as well as an increase in public investment and positive growth for building. In line with these trends, Oficemen expects, according to its estimate made in January 2018, growth in cement consumption of around 12%, to reach 13.7 M tonnes.

In Tunisia in 2017, the domestic market remained steady at around 7.2 M tonnes, with a 0.5% fall in sales compared with 2016. Exports to Algeria and Libya were also frozen during the year.

In this context, the Cementos Portland Valderrivas Group will continue to implement its policies to contain expenditure and optimise investment and adapt all organisational structures to the reality of the various markets in which it operates, in order to improve cash flow generation.

8 Social and human-resources policies

8.1 Framework of integrity and respect for human rights

Due diligence at FCC

Respect for people's dignity and human rights is a key factor in how the FCC Group behaves. Guidelines for the behaviour of FCC professionals' actions and conduct in ethical, social and environmental matters are contained in the current Code of Ethics.

In particular, the FCC Group totally rejects child labour, slave labour and labour under unacceptable, extreme, subhuman or degrading conditions, being committed to respecting freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples wherever the group operates.

Finally, it is noteworthy that following approval of the 2020 CSR Plan, FCC seeks to strengthen respect for human rights, undertaking to carry out a diagnosis of the impact of its business on human rights in all societies and communicates where the group operates.

Control mechanisms: the Ethics Channel and Harassment Protocol

FCC has a Crime Prevention and Response Manual, which includes a control system, structured into different stages and responsibilities, with a view to reducing and hindering any potential crimes committed in the company's name. In this regard, FCC makes available to all the group's employees an in-house communication channel for reporting possible breaches of the Code of Ethics. For this purpose, employees are given an email address to contact (comitederespuesta@fcc.es) and a postal address to write to, for the attention of the chair of the Response Committee.

The Group also has a protocol for preventing situations of mobbing and sexual harassment to prevent, avoid, resolve and sanction any such cases. The protocol includes a list of behavioural guidelines that must be followed in order to assure dignity, safety and equal treatment and opportunities for everybody. An online mailbox and reporting form have also been set up for such reports to be handled in confidence.

In 2017 the FCC Response Committee received a total of 19 complaints via its reporting channels, mostly related to issues of respect between persons.

Ethics Channel

The group's website also features the Ethics Channel, which is a tool to enable any potentially irregular or even criminal activities or behaviour infringing the protocol for mobbing, sexual harassment and gender discrimination to be reported in confidence.

8.2. The FCC Group's employees

The tables below show all the group's employees at the end of 2017, broken down by sex, professional category and geographical area.

Professional category	2017	2016
Men		
Managers and university graduates	1,305	1,387
Technicians and diploma holders	5,552	3,296
Clerical and similar staff	1,041	1,464
Other salaried employees	37,072	36,380
Total men	**44,970**	**42,527**
Women		
Managers and university graduates	318	361
Technicians and diploma holders	1,227	1,247
Clerical and similar staff	1,858	1,739
Other salaried employees	9,032	8,593
Total women	**12,435**	**11,940**
Total workforce	**57,405**	**54,467**

Geographical region	2017	2016
Men		
Spain	31,793	31,655
Rest of EU	6,763	6,652
US and Canada	186	370
Latin America	1,717	1,207
Rest of the World	4,511	2,643
Total men	**44,970**	**42,527**
Women		
Spain	10,166	9,847
Rest of EU	1,735	1,729
US and Canada	21	13
Latin America	171	171
Rest of the World	342	180
Total women	**12,435**	**11,940**
Total workforce	**57,405**	**54,467**

The voluntary rotation rate of the group's employees is below 4%. Their geographical distribution is as follows:

Geographical Area	2017	2016
Spain	2.95%	2.42%
Rest of EU	9.68%	8.48%
US and Canada	18.36%	10.18%
Latin America	2.07%	4.35%
Rest of the World	2.84%	6.62%
Total Group	**3.96%**	**3.68%**

The group's employees can be broken down into the following age groups:

	2017	2016
< 19 years	54	35
19–24 years	1,675	1,232
19–24 years	3,358	2,859
30–34 years	5,133	4,921
34–39 years	7,344	7,286
40–44 years	8,959	8,719
45–49 years	9,336	9,088
50–54 years	9,449	9,178
55–59 years	7,586	6,989
60–65 years	4,328	3,973
> 65 years	183	187
Total workforce	**57,405**	**54,467**

The group's workforce broken down by business area and type of employment contract is as follows:

	Indefinite		Temporary		Contract assignment	
	2017	2016	2017	2016	2017	2016
Construction	2,319	2,195	4,403	2,261	1,184	1,215
Water	2,482	1,333	556	586	4,839	6,033
Environmental Services	1,600	1,925	1,412	1,761	37,227	35,782
Cement	1,062	1,087	17	5		1
Central Services	291	270	13	13		
	7,754	**6,810**	**6,401**	**4,626**	**43,250**	**43,031**

Personnel attached to works or services (contracts) can be considered as having "stable jobs", since most of them are subject to compulsory subrogation.

8.3. Human-resources policy

At the FCC Group we seek simple structures (organisations with the fewest possible hierarchical levels), with primacy given to austerity, flexibility and speedy decision-making.

Behind every major FCC project is team of people capable of bringing it to a successful conclusion. This is why the goal of FCC's human-resources policy is excellence in performance and a commitment to our employees, fostering a healthy, discrimination-free environment to attract and encourage talent with a long-term vision

Recruitment

FCC concentrates its efforts on creating the right environment to attract, motivate, develop and hold on to the best professionals.

Although the most frequently used recruitment sources are internal, FCC also turns to external sources, including LinkedIn, Infojobs, job-centre websites, universities and professional associations, which can offer a large number of potential candidates and enhance FCC's visibility as an employer.

Finally, we must also mention the in-house mobility programmes that FCC offers its professionals, giving them new opportunities to develop their careers by moving between business areas and countries, enhancing informal networking, transversal communication, greater synergies and the transfer of knowledge between businesses. In 2017 a total of 68 jobs were offered for in-house mobility within the FCC Group, with 182 employees involved in the corresponding recruitment processes. Finally, 38 vacancies at FCC were covered by means of this tool for developing and encouraging in-house talent.

Training

The FCC Group has organised a total of 467,021 hours of training for a total of 45,772 participants. The percentage of hours of training per business area is as follows:

	2017	2016
Construction	11.3%	19.3%
Water	13.6%	15.5%
Environmental Services	72.1%	62.0%
Cement	2.6%	3.1%
Central Services	0.4%	0.1%

This training was given in 80.1% of cases to men (75.3% in 2016) and in 19.9% to women (24.7% in 2016).

Interns

FCC has partnership agreements in place with Spain's leading universities to contribute, from inside our business, to students' training and acquisition of job experience, while providing them with financial assistance during their internships and an assessment by their tutor at the end of the experience. The essential purpose of internships is to allow students to apply in a practical context the knowledge that they have acquired at university.

Our interns are university undergraduates, graduates and postgraduates as well as vocational-training students wishing to complete their training at a firm with global reach like FCC.

Special programmes

The group's Construction Area has launched its International Programme for Young Talent. The aim of this programme is to strengthen the development of recent graduates to ensure that positions on the company's international projects are covered optimally. The programme, which lasts 12 months, is divided into two stages: (i) theoretical corporate training on the organisation's different areas, and (ii) practical training on various domestic and international projects, with the supervision and support of a tutor, who, besides helping them, assesses their performance. At the end of the programme they are assigned to a job abroad.

Also worthy of note are several training initiatives to foster a better gender balance in management positions.

- FCC has been involved in the development programme for women with high potential of the Industrial Organisation School (EOI) since 2011. This integrated programme is designed to equip the participants with management skills, based on a multidisciplinary approach. In 2017, seven women from different business areas received this training.
- The company has taken part in four editions of the "Promociona project", which specialises in preparing women to opt for senior management and board positions. The latest edition was run in 2017. The Promociona project is coordinated and co-funded by the CEOE, in partnership with the Ministry of Health, Social Services and Equality, and ESADE. In 2017 three of FCC's female executives took part in the project, with three other employees in mentoring roles.

Avanza Awards

This initiative was launched in 2017 to recognise the hard work and efforts by the organisation's personnel, who day by day make the company more competitive, improve our social integration and enhance the quality of our processes, environmental performance and the development and application of innovative solutions and practices. The awards are divided into four: categories Innovation, QA, CSR and Environment.

8.4. Industrial relations

Policy

FCC applies a policy of social liaison and interlocution with its workers, their legal representatives, trade unions and other social actors to foster agreements through collective bargaining and other collective processes, with transparency, setting up steering committees and providing employees and their representatives with all the necessary information. This openness to dialogue has also been reflected in a reduction in the number of disputes.

The Industrial Relations section handles collective procedures, collective bargaining and social liaison (the principal tool for identifying stakeholders' needs and sensitivities among stakeholders), and defining general criteria for action, monitoring and coordinating equality- and disability-management plans and efforts.

Collective bargaining

All FCC personnel in Spain are covered by a collective-bargaining agreement, regardless of the areas in which they work. In the Environmental Services and Water areas, besides the corresponding sector agreements, company and workplace agreements are also in place. The company directly negotiates, on its own behalf, a great many collective-bargaining agreements with the workers representatives at its subsidiaries and workplaces.

In 2017 the Environmental Services and Water areas sat on numerous negotiation boards regarding collective-bargaining agreements for contracts and workplaces, as well as collective-bargaining agreements for specific activities, on a provincial and national scale. In all, the company was involved in more than a hundred collective-bargaining processes, almost of them in Spain.

In the Construction and Cement areas, collective bargaining is mostly channelled through nationwide and provincial sector agreements, also participating through various business associations in negotiations regarding sector agreements related to FCC's different business areas and activities. In 2017 the sixth General Collective-Bargaining Agreement for the Construction Sector was signed.

Contentious industrial-relations procedures

In 2017 a total of 1,467 employment-related legal cases have been processed, mostly related to claims for money and social-security issues. Other common cases are those following employment inspections, dismissals and sanctions.

8.5. Equality and diversity within the FCC Group

Equal opportunities

At FCC the principle of equal opportunities is an unbreakable commitment to action, and the group's responsibilities in this area are clearly set out in the Code of Ethics. The undertakings made by FCC include the following:

- FCC has adhered to the principles of the UN Global Compact, which help employers to examine their policies and practices for the empowerment of women.
- FCC's main divisions, including Environmental Services, Construction and Aqualia, have signed an agreement with the Ministry of Health, Social Services and Equality to increase women's presence in management positions.

Equality plans

At FCC, women account for 22% of the company's total workforce global, many of them managers, and the group is firmly committed to steadily increasing the number of women in positions of responsibility. In 2017 four of the members of the FCC Group's Board of Directors were women, with three more women sitting on the Cements board (26.7% and 33.3%, respectively).

The equality plans at FCC's various companies develop the firm's commitment towards equal opportunities with specific measures adapted to their own businesses and the characteristics of the sectors where they operate. These plans are backed by the relevant monitoring bodies, with equal representation from employers and trade unions, which foster the development and integration of the various topics and measures that the plans contain.

Thanks to the application of equality and diversity policies at FCC, four group divisions (Environmental Services, Construction, Industrial and Aqualia) have earned the "Equality at Work" seal of excellence, awarded by the Spanish Ministry of Health, Social Services and Equal Opportunities in recognition of firms that have developed equal-opportunities policies in the workplace.

The book *Mujeres en Primera Persona* ("Women in First Person"), published by Aqualia in 2017, tells the experiences of more than 60 women — Aqualia employees working in different districts and public-sector representatives — in the day-to-day management of the end-to-end water cycle and from their positions in local authorities.

Finally, Aqualia has also been working in 2017 to provide people with a working environment that is compatible with their personal and family lives. The company has been awarded the Responsible Family Firm certificate by the Masfamilia Foundation.

Commitment to combat domestic violence

FCC continues to maintain its public commitment against domestic violence, based on two fundamental principles: zero tolerance and support for victim's social and professional integration. The company works in partnership with the network of "Companies for a Domestic-Violence-Free Society" to support, foster and build awareness of access to the labour market for victims.

FCC also works with several foundations and other entities to foster access and integration to the labour market for women who are victims of domestic violence, including the Integra Foundation and the Spanish Red Cross's Employment Plan.

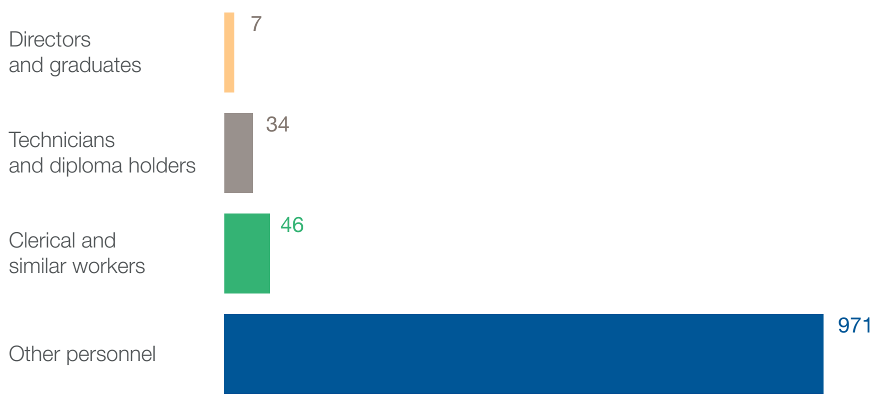
In 2017, at the Integra Foundation's annual meeting, Environmental Services' efforts were recognised at the Integra Foundation's annual meeting, having employed 200 people in situations of exclusion. The award was presented by the Minister of Employment and Social Security.

Finally, on 25 November every year the FCC Group calls up the company's employees to remember its principles and report on its commitment and vision: zero tolerance for domestic violence and fostering social and professional integration for women who are its victims. In 2017, FCC employees formed a hear shape at the corporate head offices in Las Tablas, Madrid, to show their solidarity with combating this social scourge, as part of the activities organised to commemorate the day, under the slogan "I'm With You".

Integrating people with disabilities

FCC is firmly committed to integrating people with disabilities into the labour market as a key factor in social integration and personal development. The number of employees with disabilities of 33% or higher in 2017 was as follows.

Persons with disabilities at FCC



One of the most striking projects in the area of job integration for people with disabilities is FCC EQUAL CEE, driven by the Environmental Services area. FCC EQUAL is a special employment centre where 30 people with severe disabilities now work. The aim is not only to provide job opportunities for people with disabilities but also to provide them with skills, abilities and competencies for their career development within the company. In 2017 the centre was extended to the Valencia Region.

The Group also works actively with specialist organisations who advise on recruiting and supporting career opportunities for people with disabilities at FCC. Their advice facilitates understanding of the right profiles for each job and simplifies the company's standardised integration process. The main organisations that the firm is partnered with are:

- **ONCE Foundation** (*Inserta* Programme): FCC supports various projects and fosters social and labour inclusion through workshops, training courses and other actions, as well as awareness-building campaigns. The company is also involved in programmes to strengthen integration with functional diversity and improve the quality of life of people with disabilities.

  An example of this is the partnership agreement with ONCE signed on 13 March 2017 to foster job insertion for people with disabilities. Over three years 125 people will be employed, to join the 294 already recruited under the previous partnership agreement (2014–2017).

- **Adecco Foundation** (Family Plan): This plan consists of an action programme to increase the independence, integration and subsequent access to the labour market for relatives with disabilities.

- **Prevent Foundation** ("*Aprende y Emprende*" programme): Once again this year, FCC has been involved in Madrid and Barcelona in a training and mentoring programme, in partnership with the ESADE business school, to equip entrepreneurs with disabilities with the necessary knowledge and preparation. Under this programme the students acquire the knowledge they need to launch their business plans, bringing their entrepreneurial initiatives to fruition and turning them into professional experiences. Besides sponsoring the programme, the company participates in workshops and teaching.

8.6. OHS

Preventive management: Organisation, liaison with workers' representatives, and policy

FCC gives priority to occupational health and safety (OHS), establishing an organisational model for preventive management and setting up its own shared OHS service within each of its areas of business to cover all four OHS specialist areas: safety at work, industrial hygiene, applied psycho-sociological ergonomics and health monitoring. Health-monitoring activities are covered by FCC's medical services in the provinces where they are present, arranging medical check-ups through an outsourced OHS service elsewhere.

To enable employees to participate, OHS committees have been set up, the largest of which, at FCC S.A. and FCC Construcción S.A., are based at the corporate head offices at Las Tablas and Federico Salmón (Madrid) and Balmes (Barcelona). These OHS committees, which meet quarterly, are the bodies for OHS-related participation, analysis and decision-making at those workplaces.

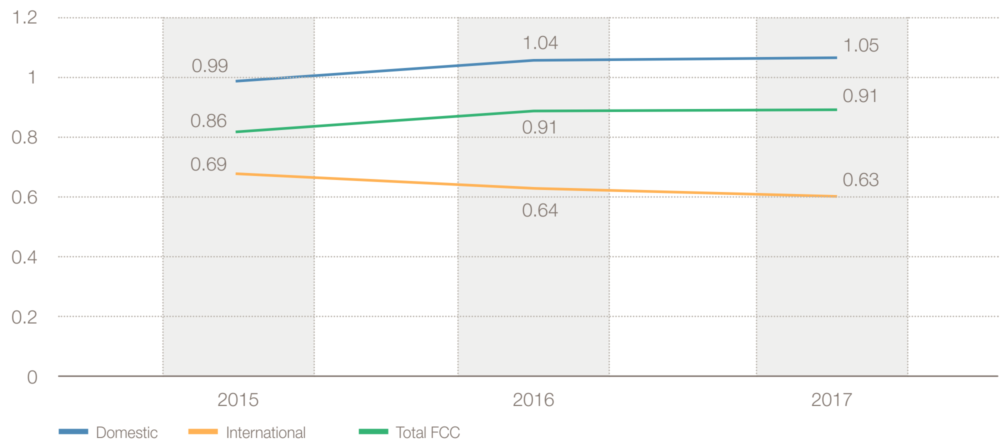
Accident rates

Compared with the previous year, in absolute terms the accident rate in 2017 presented 86 fewer cases of sick leave. In relative terms, the frequency index (number of cases of sick leave for work-related accidents per 106 hours worked) fell by 4.25 % to 26.15.

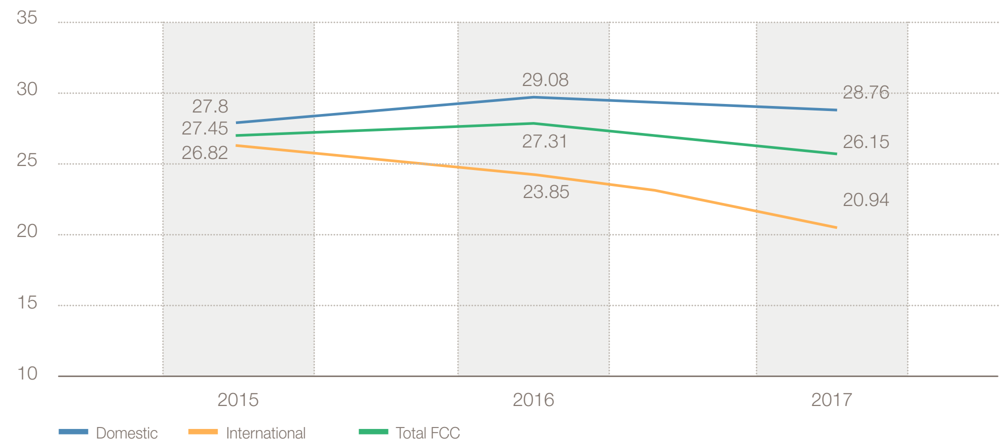
Over the last year how investigation processes for serious and fatal accidents are handled and monitored has been strengthened both technically and legally. In absolute terms, the number of accidents with serious consequences in 2017 has fallen by more than 50% compared with the year before. This improvement is particularly significant in Environmental Services.

Details of the accidents that occurred, their evolution and their frequency index are given below.

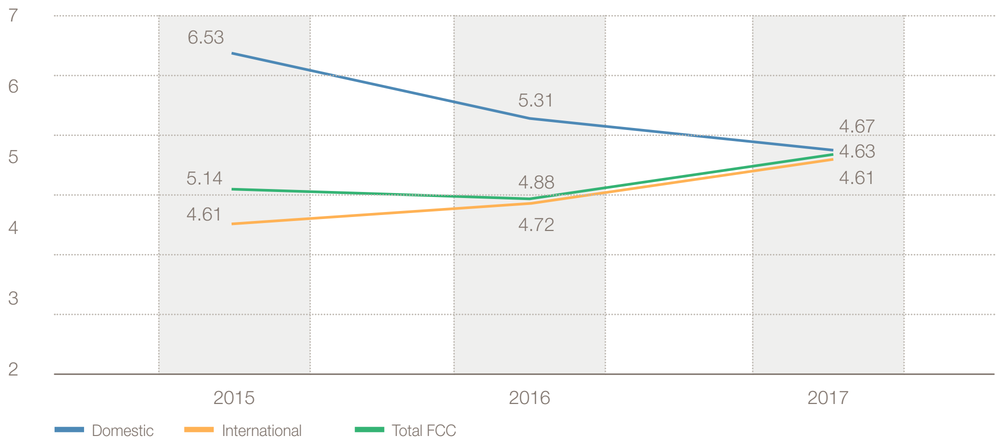
Evolution of Seriousness Index 2015–2017



Evolution of Frequency Index 2015–2017



Evolution of Incidence Index 2015–2017



Frequency index: Number of accidents with sick leave per million hours worked.
Seriousness index: Number of working days lost because of accidents per 1,000 hours worked.
Incidence index Number of accidents with sick leave per 100 workers.

A healthy company

In recent years management procedures and processes have been put in place based on recognised healthy-company management models, such as those of AENOR, based on the WHO model. The initiatives undertaken in this field include the following:

- In the Environmental Services area, in 2017 audits have been developed for healthy-company certification at the nine offices still pending, such that by early 2018 all 17 of the area's offices will have been certified by AENOR.
- Major actions to foster health have included working on the development and updating of FCC's OHS site, which makes available to employees content and resources related to the company's OHS activities and healthy eating habits, encouraging physical exercise and health recommendations.
- In late 2017 all the business areas were involved in design and preliminary tasks to address the assessment of psychosocial factors at FCC's main offices.

Also this year, actions have been undertaken related to workers' social and emotional welfare. These have included, for example mindfulness training in the Corporate and Construction areas. So far five mindfulness workshops (each with two sessions) have been organised, with 104 participants.

Finally, FCC has participated successfully in the eHealth Challenge. These inter-company Olympics involved 1,247 teams from 37 firms. More than 450 people from all FCC's areas of business took part, earning top rankings at both company and individual levels.

The "Water People Ávila" from Aqualia won the overall running category in the healthy-companies challenge, clocking up a total of 1666.82 kilometres. The four weeks of competition served to measure the energy that each firm generates through its employees' sporting activities. One third of the funds raised by this initiative will go to health-development projects organised by the Red Cross in Spain.

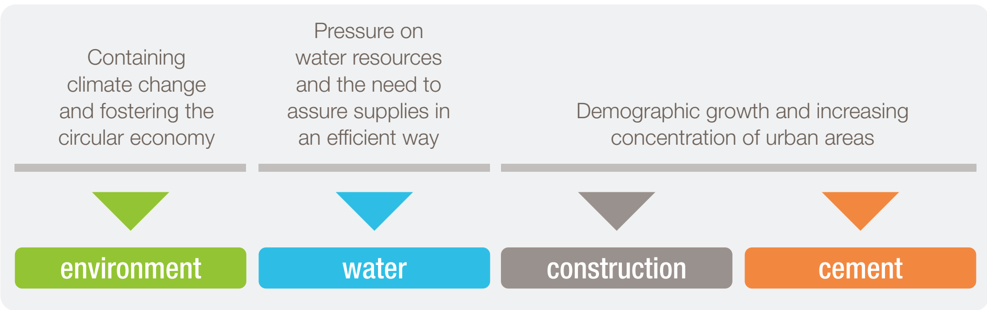
9 Environmental and corporate social responsibility policies

9.1. Environmental policies

9.1.1. Business Model

FCC is a worldwide public-service infrastructure operator, present in more than 35 countries. For over 115 years, FCC has been working to transform and modernise our cities while seeking to respond efficiently to the company's global challenges. All this is done by striving to respect the environment, contain the effects of climate change and efficiently manage water resources and the waste generated by urban areas.

Diversification of FCC's business model to respond to global challenges:



environment

- Urban- and industrial-waste collection, treatment and recycling
- Green-area conservation
- Sewerage-network maintenance
- Contaminated-soil recovery
- Street-cleaning

water

- Design, build and financing of water infrastructure
- O&M and technical-support services
- Full management of public services

construction

- Civil works
- Building
- Infrastructure maintenance
- Industrial
- Concessions
- Precasting

cement

- Cement
- Other business (concrete, aggregates and mortar)

Risks and how they are managed

The global challenges that society faces today also pose a challenge for the company and its business going forward. The effects of global warming and pressure on water resources, such as extreme climatic events and more frequent droughts, have a direct impact on FCC's business.

FCC carries out a detailed analysis for all its business areas of the environmental risks to which each is exposed.

These are:

9.1.1.1. Construction

Building infrastructure is one of the solutions for mitigating and adapting to climate change, which is one of the concerns addressed each year in the Global Risks Report (World Economic Forum, 2018 (*) Global Risk Report 2018).

Global undertakings (the 2015 Conference of Parties to the UN Framework Agreement on Climate Change, "COP21", held in Paris, and the 2016 conference, "COP22", held in Marrakesh) to halt the advance of climate change and threat to the natural environment call for changes in how we conceive infrastructure to minimise its impact and improve its robustness, which in the short term will mean both increasing investment in innovation to reduce consumption and, increasing the efficiency of processes and optimising the use of resources, by using efficient new materials, for example.

Other risks identified in the construction field that are built into FCC's management are:

- Vulnerability of infrastructure to extreme climate events.
- Changing transport patterns associated with climate changes.
- Changing regulatory frameworks related to environmental issues.
- Rising prices of the resources used.
- Developing infrastructure in geographical markets that present greater vulnerability and environmental exposure.
- Boom in technology and new production models.

To mitigate these risks, FCC Construcción defines areas of action for infrastructure design and build, such as the use of strengthening and reinforcement systems for structures and materials or innovation applied to the identification, monitoring and management of structural risks in buildings and infrastructure.

9.1.1.2. Water

Water is an essential resource for human development, and its end-to-end cycle is FCC Aqualia's *raison d'être*.

Changing rainfall patterns and their consequences, such as scarce supplies or droughts, present a set of risks for the company's business, particularly regarding efficient management and guaranteed supplies. Thus:

- Potential risk of supplies cut off because of the lack of water and periods of drought.
- Potential conflicts over water use (e.g., as the demand for water increases).
- Implementation of a more restrictive regulatory framework on water uses.

Water stress means that greater investment is called for to assure water supplies, developing innovative solutions to make this possible, particularly in areas where the resource is already scarce.

FCC Aqualia is also committed to seeking alternatives to optimise water reuse in distribution, supply and consumption.

9.1.1.3. Environment

FCC Medio Ambiente's services aim to improve quality of life for people living in cities by providing services that include the cleaning and maintenance of streets, sewers and green areas and the handling and treatment of waste.

The company has identified a set of risks with direct impact on the division's activities:

- Surface water polluted as a result of overloaded treatment systems.
- Failures in sewerage systems owing to extreme climate events.
- Pressure on the availability and efficient management of water and increasing water tariffs.
- Potential conflicts over water use (e.g., as the demand for water increases).
- Stricter regulation of waste treatment and energy-recovery processes.

FCC Medio Ambiente is also committed to a circular-economy approach, which in turn will open up new business areas and opportunities, supported by greater efficiency in processes in terms of the reuse of wastewater and waste.

9.1.1.4. Cement

The cement business is one with considerable environmental impact, mostly during the limestone-decarbonation process and the burning of fossil fuels, which involves significant CO_2 emissions. Both during the preliminary stages and during the course of business in this sector, a set of risks related to this impact can be identified:

- Likely increase in pressure regarding the availability of water resources and competition with other uses.
- Changes in the regulatory framework and price of the resource.
- Development of emergency action protocols to deal with extreme climate events.
- Restrictions on business as a result of climate-related regulation in the sector.
- Rising costs of production and O&M processes.
- Legal or reputational risks related to operations in sensitive areas or involving sensitive resources.

Management of these risks focuses on mitigating greenhouse-gas emissions (GGEs) by replacing natural raw materials with decarbonated ones, replacing fossil fuels with alternative biomass fuels, with the energy valuation of waste as a priority option, complementary to recycling, rather than landfill tipping or elimination.

9.1.2. Policies and due diligence

The Group's environmental commitment and ultimate responsibility for enforcing regulation compliance in this regard lies with the Board of Directors.

In 2009, the FCC Board approved the group's environmental policy, which sets out its commitment for the conservation of the environment and the use of the available resources in terms of:

- Continuous improvement:
- Controls and monitoring:
- Climate change and prevention of pollution:
- Care for the environment and innovation:
- Life cycle of products and services:

Respect for the environment and minimising any negative impact of the group's activities are also covered in the FCC Code of Ethics (2008, revised in 2012) and CSR Policy (2016).

Also, in 2012, as part of its environmental-commitment policies, FCC its Climate Change Strategy (currently under review), with reducing GGEs being the priority goal of this strategy, by improving efficiency in the use of resources.

With regard to environmental-management systems, FCC's current goal is to achieve certification of 100% of its business under the standard UNE-EN ISO 14001:2015. In 2016 this figure stood at 84.5%. Also in 2017, efforts have been made to extend the scope of the Energy Management System under the standard UNE-EN ISO 50001:2011.

FCC has also implemented Energy Efficiency Technical Guidelines at its corporate offices, fostering energy efficiency and savings to reduce pollutant emissions.

The fourth CSR Master Plan (PDRSC2020), approved in October 2017, strengthens the company's environmental positioning to respond to global changes (in line with the UN Sustainable Development Goals), from the viewpoint of the circular economy as an umbrella for driving efforts to combat climate change, respond to water stress and protect biodiversity.

9.1.3. Indicators and results

The group's experience and specialisation in key business areas like Construction, Cement, Water and Environmental Services enables FCC to ally with city in their environmental challenges, providing solutions for such concerns as mobility, waste generation and the need for high-quality water supplies Nevertheless, these activities also involve environmental impact that must be measured in order to minimise it and manage it as efficiently as possible.

The group manages, controls and monitors more than 50 performance indicators associated with its main environmental issues. As part of its commitment to transparency with its stakeholders, these are published annually in accordance with the Global Reporting Initiative (GRI) standard in the group's CSR Report.

This report focuses on the environmental issues involved in FCC's business that are the most significant because of their size or impact, and these figure prominently in the group's management, control and mitigation systems.

The performance indicators associated with these environmental issues, chosen as being representative for reporting here, are: energy consumption, water consumption, waste generation, GGEs and consumption of materials.

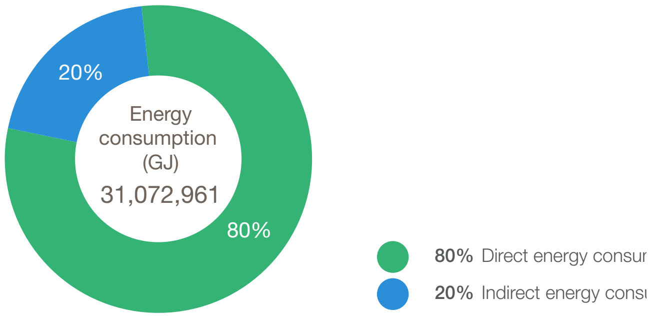
The 2017 values are currently under review. The values, once verified by an independent outside firm, will be published in the group's annual CSR Report in the first half of 2018.

- **Energy consumption**

(giga-Joules)

	2017	2016
Direct energy consumption	24,815,763	31,338,961
Indirect energy consumption	6,257,197	5,714,895
TOTAL	**31,072,961**	**37,053,856**

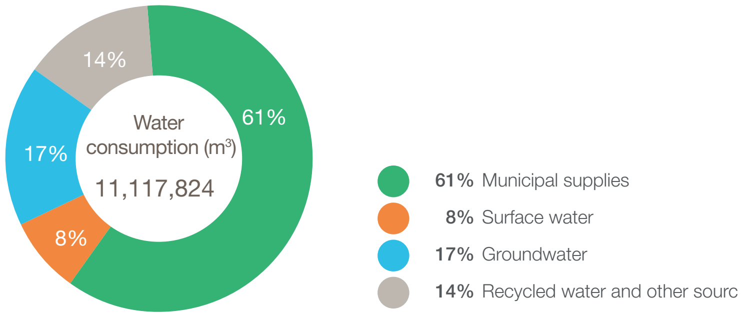
The reduction in direct energy consumption is largely due to the deconsolidation of the Giant subgroup resulting from the loss of control that followed the capital-increase operation described in note 5 of the 2017 financial statements.



- **Water consumption**

(cubic metres)

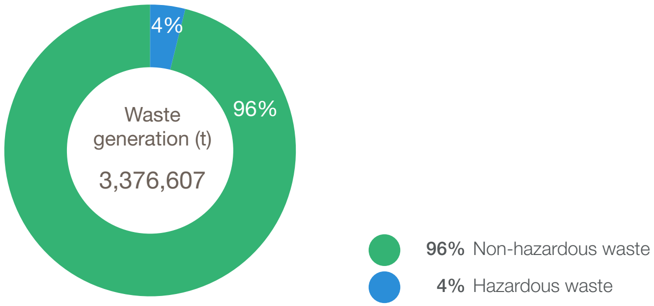
	2017	2016
Municipal supplies	6,823,182	6,558,811
Surface water	852,911	963,744
Groundwater	1,874,624	2,777,199
Recycled water and other sources	1,567,107	1,534,708
TOTAL	**11,117,824**	**11,834,462**



- **Waste generation**

(tonnes)

	2017	2016
Non-hazardous waste generated	3,249,785	3,009,739
Hazardous waste generated	126,822	93,493
TOTAL	3,376,607	3,103,232



Although at the time of issuing this report the following indicators for 2017 are still being reviewed by an independent external verifier and will not be reported until the CSR Report is published, below we cite information from previous information to show how they have evolved.

- **Greenhouse-gas emissions (GGE)**

(tonnes CO_2eq)

	2016	2015
Direct emissions (scope 1)	9,950,467	9,711,807
Indirect emissions (scope 2)	521,105	681,449
TOTAL	10,471,572	10,393,256

The 2017 values are currently under review. The values, once verified by an independent outside firm, will be published in the group's annual CSR Report in the first half of 2018.

- **Materials consumption**

(tonnes)

	2016	2015
Raw materials	22,502,320	30,919,538
Auxiliary materials	58,201	77,043
Semi-finished products	3,668,146	4,214,457
Containers and packaging materials	280	287
TOTAL	26,228,947	35,211,325

9.2. Corporate social responsibility

9.2.1. Business model

FCC, because of its business mission, is committed to the priority goal of working on the welfare and development of the community where it offers and provides its services.

FCC's business cannot be conceived without its permanent links to the public, fostering better understanding and connection with their actual needs and expectations. This interaction enables the company to play a leading role in the changes that are happening in our cities in the areas that FCC specialises in.

The social involvement that FCC has always shown with regard to the local communities where it operates also extends to its employees, their families and other groups, through the many projects that the company develops year after year at each of its businesses, sites or contracts.

FCC, following the trends for digital transformation and transparency, uses the latest communication tools to further enhance its closeness to the public, which is one of the group's signature values.

9.2.2. Risks and how they are managed

In view of recommendation 12 of the CNMV's Code of Good Governance for listed companies, the FCC Board of Directors works with a single purpose and independent view, guided by social interest, which is understood to mean achieving a business that is profitable and sustainable in the long term, fostering its continuity and maximising the firm's economic value.

FCC balance social interest with the legitimate interests of its employees, suppliers, clients and other stakeholders potentially affected, and the impact of the company's activities on the community at large and on the environment. It also upholds the principles under its Code of Ethics, which are reviewed on a regular basis.

9.2.3. Policies and due diligence

- Reaching out to stakeholders

As established under recommendation 53(f) of the Code of Good Governance for listed companies, supervising and assessing processes in relation to different stakeholders is a role that corresponds to the company's governing body and its Executive Committee, to which all CSR-related competencies have been delegated.

To achieve an appropriate relationship and active communication with stakeholders, FCC makes available to its employees numerous in-house communication channels:

– Corporate intranet, "FCC ONE": the company's main channel for multidirectional communication and a tool for conveying relevant information to employees.

– Employee's site: contains specific information and provides an in-house communication channel to facilitate dialogue between employees and the company.

– Digital publication of the in-house journal Red de Comunicación ("Communication Network"): includes relevant information on recent events at FCC and news articles on the group's activities.

– Friday news bulletin: a weekly publication that compiles the company's news.

– News capsules: flashes containing relevant information disseminated by mass mailing.

– Awareness-building campaigns on environmental issues and support for groups at risk of exclusion.

– Internal competitions to strengthen employees' pride in belonging to the company, including a Christmas drawing competition for their children.

FCC also participates in numerous forums and conferences organised by authorities, universities, research centres and public organisations, with a view to exploring the challenges facing cities in the future and the need to integrate greater digitisation and more active communication with end users into public services.

Some examples of such involvement in 2017 are related to equality, women's leadership and diversity, sustainable living i cities, and the movement to develop smart communities that can drive innovative, sustainable cities.

- Impact on local communities

Besides its dialogue with the public, FCC works to maximise the positive impact of its activities on the community. And the group sees measuring this impact as a key part of this. The company works to develop and apply methodologies and systems to measure, assess and mitigate any impact that its activities may have on people or the environment.

FCC cooperates with the communities where it works through diverse projects targets at the most disadvantaged groups.

These actions can be grouped into the following areas:

– Social inclusion and access to basic services: initiatives that foster social development and reducing inequality in communities where the group operates.

– Creating value in communities: actions links to growth of the business fabric in areas where the company works.

– Cooperation in environmental education and awareness-building: working with educational institutions to disseminate information and build awareness regarding matters related to sustainability and business in communities.

– Assessing the social and environmental impact of operations: analysing the impact that company causes on the communities where it operates, identifying their main concerns, with a view to developing actions that best meet their needs.

– Corporate volunteering: involvement by FCC employees in social-action projects promoted by the company.

– Equality policies and initiatives for the recruitment, training and remuneration of the Group's professionals.

9.2.4. Indicators and results

FCC accepts the importance of putting into practices all policies and actions by creating different indicators to show what has been done in this field, acting transparently towards stakeholders with regard to the targets reached. The management indicators used at FCC to measure corporate civic responsibility include:

– Millions of euros invested in social action

– Number of initiatives developed

– Number of employees participating in training

– Number of employees participating in corporate volunteering projects

– Beneficiary population social-inclusion and employment projects

– Beneficiary population of actions to combat inequality (water access and other initiatives)

– Number of partnership agreements for training with universities, business schools and secondary schools.

In 2017 the FCC Group allocated €5,133,000 to invest in CSR projects.

10 Measures to combat corruption and money-laundering

The purpose of the FCC Group's ethics and compliance model is to detect risks of non-compliance, including those associated with criminal activity, and to minimise any impact. This model is developed through policies, procedures and internal controls to be reviewed and updated on a regular basis.

The Board of Directors is responsible for approving the Code of Ethics and Conduct and the Compliance Model, and ultimately for assuring an in-house ethical climate, assisted by the Auditing and Control Committee, which in turn is supported by different sections within the organisation, such as the Response Committee.

The Code of Ethics, as the basis of the Compliance Model, sets out the FCC Group's undertaking to strictly comply with the applicable legislation in its areas of operations, and it serves as a key tool for guiding actions by employees in such matters as preventing fraud, corruption, money-laundering and irregular payments, the use and protection of assets, the handling of information, the management of potential conflicts of interest and management of sponsorships, patronage and partnerships.

This code is published on the corporate intranet and also on the group's website, where it can be accessed by everybody. All FCC Group employees, regardless of what kind of employment contracts they have, the positions they hold or the geographical area where they work, are obliged to comply with the Code of Ethics, which, in addition to any specific clauses in contracts, can be extended to cover suppliers whenever it is advisable to do so.

The FCC Group company has established a procedure to allow its employees to communicate confidentially any irregularities or improper practices observed in contravention of the Code of Ethics, reporting them to the Response Committee.

This committee operates as a joint body composed of the Internal Auditing, Risk Management and Compliance Director, the Legal Director, the HR Coordination and Development Director, and the Corporate Responsibility Director. Its duties, as set out in the Crime Prevention and Response Manual, include handling and investigating complaints received over the ethics channel. In 2017 the Response Committee received 19 complaints, none of which were related to corruption or fraud.

As another fundamental component of the FCC Group's Compliance Model, in 2016 the Board of Directors approved the Criminal Compliance Policy and System, which sets out the group's commitment to zero tolerance towards any kind of non-compliance related to bribery or corruption, together with tools for preventing, detecting and responding to risks of criminal offences being committed. These tools include identifying and prioritising conduct with a risk of committing crimes, such as those related to bribery, corruption, influence-peddling, fraud, money-laundering and swindling, the prevention and mitigation of which, through specific controls and actions, is a priority for the group.

The FCC Group considers that communication and training are basic parts of strengthening the culture of compliance within the group. In this regard, training given in 2017 included a course on preventing money-laundering and the financing of terrorism that was given to all employees working at companies bound by Spanish law.

In addition, the FCC Group's Internal Rules of Conduct for the Securities Market establishes that directors and senior executives are obliged to report regularly on any operations in which they or their associates are involved to subscribe, buy or sell securities or affected instruments.

11 RDI activities

In 2017 the FCC Group's RDI activities encompassed more than 40 projects.

These projects aim to meet the challenges in each area of business, while at the same time keeping the FCC Group's different business areas in step with one another.

Set forth below is a description of the activities of the various business Areas and of the main projects carried out in 2017.

Services

In the environmental services area, aside from continuing with the research work in various projects that commenced in previous years, including a new project titled **AERIAL ROBOT FOR SEWER INSPECTION (ARSI)** has been launched in the framework of the project European Coordination Hub for Open Robotics Development (Echord++), with the involvement of FCC Medio Ambiente and Eurecat, in a consortium with other firms.

This project is developing an innovative automated aerial vehicle (drone) equipped with multiple sensors, to streamline, facilitate and improve inspection tasks in Barcelona's sewers. A pioneering smart, efficient robotics solution is being used in the city for the first time.

Other significant projects in 2017 included:

- **SEEUS:** Consists of developing software based on the results and experience acquired from the R&D project **"EFFICIENT-MANAGEMENT INDICATORS"**.

  The **S.E.E.E.U.S.®** application is intended to serve as technological consulting tool that is compatible with regulatory requirements for the design and implementation of smart platforms.

  The project also aims to demonstrate the suitability of **S.E.E.E.U.S.®** as a tool to help decision-making (KPIs) so that local authorities (district councils and municipal federations) can have the relevant information at hand when it comes to assessing the environmental efficiency of urban services and planning appropriate measures for improving it.

  The aim is to use TICs to associate al the stakeholders (management company, public and private institutions, the public, etc.) with a model for sustainable resources management and GGE reduction, fostering cities' adaptation to climate change while preserving criteria of quality of life and welfare for beneficiary populations of the services provided.

- **METHAMORPHOSIS:** The objective is to obtain biogas-upgrading to biomethane for vehicles, with tests on Seat vehicles and FCC collection trucks, as well as anaerobic effluent treatment.

- **ADVANCED SOLUTION FOR THE GLOBAL MANAGEMENT OF ALL THE PROCESSES AND PLAYERS IN ENVIRONMENTAL CONTRACTS** project, which encompasses 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, etc.

  No research projects have been carried out on industrial waste in 2017.

End-To-End water management

Aqualia's innovation activities have continued to grow in 2017, partnering for the development of the company's technology proposal in the following work areas: sustainability, QA, smart management and eco-efficiency.

Significant projects in 2017 included:

- **SABANA**, a project launched in 2016, led by the University of Almería, with Aqualia as the main principal industrial partner, together with Westphalia (Germany) and the Italian food group Veronesi in a consortium of eleven entities from five countries (also the Czech Republic and Hungary). The project aims to build a facility on one hectare of land to grow microalgae and test the production of new biofertilisers and biopesticides, and then going on to build a biorefinery on fie hectares of land to enable alternative products to be obtained from microalgae, as an environment-friendly model that is safer for consumers.

- **RUN4LIFE:** Led by FCC Aqualia, this project has 14 partners in seven different countries. Its objective is to implement, in four demonstration locations (Sneek in Holland, Ghent in Belgium, Helsingborg in Sweden and Vigo in Spain), new concepts for nutrient recovery from the separation of grey water and black water. In parallel, new ways of valuing the water–energy nexus and controlling decentralised management models will be developed.

- **LIFE MEMORY:** This project has demonstrated, at a 50 m^3 reactor in Alcázar de San Juan (Ciudad Real), the technical and economic feasibility of an innovative technology: an anaerobic membrane bioreactor (AnMBR). This new technology enables the organic matter contained in wastewater to be converted directly into biogas, skipping the conventional primary decanting and secondary aerobic treatment stages. What is obtained is disinfected, fertiliser-rich water for reuse, with a reduction in energy consumption and CO_2 emissions of up to 80%, reducing the space required by about 25% and silt production by approximately 50%.

- **BIOWAMET BESTF2:** being developed under the European ERANET programme, in partnership with Southampton and Delft universities. In synergy with the LIFE MEMORY project on anaerobic reactors with membranes, it is being implemented at a small WWTP in the Lower Ebro to obtain bio-energy and reusable water.
- **LIFE BIOSOL (BIOSOLAR WATER REUSE AND ENERGY RECOVERY):** Project led by the French SME Heliopur with the objective of solar disinfection of water for reuse, while also recovering the organic waste produced in the process. After an initial demonstration stage at the Centa Foundations facilities in Seville, a larger-scale installation is being implemented at Toyo WWTP in Almería.
- **PIONEER:** This project is part of the European ERA-NET Cofund Water Works project under the WATER JP Initiative. It is led by the USC, bringing FCC Aqualia together with a network of leading universities (Verona in Italy, DTU in Denmark and KTH in Sweden) to seek processes that improve the elimination of micro-pollutants. In parallel, ELAN and struvite-precipitation technologies are also being optimised at plants managed by FCC Aqualia, with a view to reducing the environmental impact of the wastewater-treatment process.
- **MEDRAR:** co-funded by the Conecta Peme programme to foster RIS 3 priorities identified in Galicia and supported by the European Regional Development Fund, has the objective of improving treatment in small towns and villages. Together with two Galician SMEs and led by the University of Santiago de Compostela, compact automated wastewater-treatment models are being developed, integrated into a rural environment, with low installation and maintenance costs and minimal environmental impact.
- **SMART GREEN GAS:** The project is funded as part of the National Enterprise Research Consortia (CIEN) programme, supported by the CDTI. FCC Aqualia leads a consortium with four other firms (Gas Natural Fenosa, Naturgas/EDP, Ecobiogas, Diagnostiqa and the Dimasa Group). This project has featured the implementation of several new methodologies for increasing the production and quality of biomethane at WWTPs managed by FCC Aqualia (Seville, Jerez and Aranda de Duero) to improve electricity generation or power vehicles. Conditions are expected to eventually enable electricity to be injected into the grid.
- **ALL-GAS:** The project is now in its final large-scale demonstration phase, with the building of 2 hectares of algae crops and a 2700 m^3 digester. After commissioning, up to 2,000 m^3/d of municipal effluent will transformed into water for reuse and algae biomass, generating biomethane to power up to 20 vehicles/ha, with a positive energy balance. The entire process chain will be validated over the course of one year, and the biofuel will be used to power several vehicles to confirm its quality.
- **LIFE METHAMORPHOSIS:** This is project run by a consortium of six entities (Greater Barcelona, FCC SA, Gas Natural, Icaen and Seat, led by FCC Aqualia), which is completing the construction of a large demonstration plant at the Besós Ecopark, managed by the FCC Group. The process uses three technologies recently developed by FCC Aqualia — AnMBR, ELAN (autotrophic nitrogen elimination and biogas-washing — to convert urban-waste leachate into biomethane. The fuel will be tested for injection into the natural-gas network and use for cars.
- **LIFE ICIRBUS (INNOVATIVE CIRCULAR BUSINESSES):** led by the Intromac technology centre, this project brings together eight firms to demonstrate the reuse of treatment-plant waste for building materials and generating bio-fertilisers at a plant managed by FCC Aqualia in Extremadura.
- **LIFE ANSWER:** This project, led by Mahou, installs microbe treatment cells (fluidised MFC – previously developed by FCC Aqualia in partnership with the University of Alcalá de Henares) at the consortium leader's brewery in Guadalajara. The main objective of the project is to save energy in the process and recycle the aluminium found in the flow treated by combining the process with pretreatment based on electro-coagulation.
- **H2020 INCOVER:** This project is led by the Aimen technology centre with FCC Aqualia as the largest firm in a consortium of 18 entities from seven different countries, based on knowledge acquired from the All-gas project. The use of algae biomass in higher-value products (e.g., biofertilisers and bioplastics) is being extended and the production of water for reuse improved.
- **H2020 MIDES:** The objective of this project is to achieve a tenfold reduction in the energy cost of desalinisation compared with conventional reverse osmosis. The technology used — the microbial desalinisation cell (MDC) was developed with IMDEA Agua (in a previous IISIS project) — allows waste organic material (from effluents) to be used to activate bacteria that displace salts via membranes with no need for external energy sources. The project mobilises eleven partners from seven countries to implement the technology and set up three demonstration units on three continents: Europe (Spain), Africa and the Americas.

- **RENOVAGAS:** Cofunded by the Innpacto del Mineco project and led by Enagas, a prototype catalytic reactor developed by Technalia has been operated at Jerez WWTP. By using new online instrumentation, the quality of the enriched methane has been shown to be such that it can be used as biofuel, by using the CO_2 in the biogas and the hydrogen produced with renewable electricity.
- **CLEANWATER:** This project, funded by the EU's Eco-Innovation programme, has tested a new way of producing hypochlorite on site for disinfection at water-treatment plants, avoiding the risks involved in using and transporting chlorine gas, at the facilities of the water services in Almería (reuse of wastewater) and Denia (pre-oxidation at the desalinisation plant). A third machine was introduced at Nigrán in early 2017.
- **MOTREM:** Supported by the WATER JPI initiative, is a project led by Rey Juan Carlos University in Madrid, together with three other universities in Finland, Italy and Germany. The project has assessed new technologies for the control and treatment of emerging pollutants at urban-wastewater reuse plants.
- **INNOVA E3N:** This project consists of the energy-efficient elimination of nitrogen. It follows on from the Innova Impactar project funded by the Cantabria Regional Government, seeking to optimise the membrane-aeration pilot plant installed at San Claudio WWTP (Asturias), with a view to using it as a compact small-scale WWTP at decentralised facilities.

Also in 2017 a European patent has been obtained for the production and purification of biomethane (EP 15382087.3 - biogas washing and removal of H2S and CO_2) and the corresponding ABAD (Absorption-Adsorption Bioenergy) mark.

Also, in partnership with the University of Valladolid and thanks to SGC funding, patent application EP 17382699.1 has been filed for digestion under pressure to obtain a methane-enriched biogas.

Construction

FCC Construcción continues to champion an active policy of technological development, while permanently applying innovation to its construction projects, with a firm commitment to research and development, sustainability and the contribution to quality of life in Society as competitiveness factors.

The development and use of innovative technologies to carry out construction projects contribute significant value added and are differentiating factors in the current market, which is highly competitive and internationalised.

The projects developed by FCC Construcción and its investees are of three types: internal projects, projects with other FCC Group companies and projects carried out in conjunction with other companies in the industry or other related industries, frequently with technology-driven SMEs, which makes it possible to perform open innovation projects with a participation in the value chain and, occasionally, on a horizontal cooperation basis. Also, the presence of universities and technological institutes is fundamental in practically all the projects.

Some of the projects are undertaken in partnership with public entities, such as the European **LIFE ZERO IMPACT** project, *Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines*, ewhich involves the Spanish rail-infrastructure management entity, ADIF.

In 2017 various new projects were approved:

- **WPDRON:** The objective of this project, presented to CDTI 2017 (Industrial Technological Development Centre) is to develop an automated monitoring system for civil-works infrastructure based on the use of drones.
- **BICI SENDAS:** A project under the CIEN 2017 programme with the objective of developing a sustainable, energetically self-sufficient, smart, non-pollutant, integrated, safe cycling lane.
- **REFORM2:** This objective this project, presented for funding by the Catalan Waste Agency, is to value a by-product (0/6 porphidic, a by-product of the ballast- and gravel-manufacturing process) from quarrying by integrating it into thermo-stable and thermo-plastic matrices for different applications.

Significant projects in 2017 included:

- **IN2RAIL** (Innovative Intelligent Rail), a project under the H2020 programme, led by Network Rail. The aim of this project is to set the foundations for a resilient, consistent, cost-efficient, high capacity and digitised European railway network. The results of this project will contribute to the Shift2rail initiative, a PPP dedicated to railways and falling within the Horizon 2020 programme, the objective of which is to make progress towards the introduction of the single European railway area.
- **NANOFASE:** (Nanomaterial Fate and Speciation in the Environment), a project under the H2020 programme. The objective of this project is to determine the fate of nanomaterials in the environment.
- **REWASTEE:** under the Eco-Innovation call for proposals and aimed at the industrial validation, market deployment and replication of a developed technology for recycling steelmaking wastes and manufacturing multifunctional building products.
- **BUILDSMART:** (Energy Efficient Solutions Ready for the Market). The purpose of this project is to demonstrate that it is possible to construct buildings with very low energy consumption in an innovative and profitable way. The project, part of the H2020 programme, includes the design, construction and monitoring of new residential and non-residential buildings in Sweden, Ireland and Spain.
- **ZERO IMPACT:** The objective of this project is to develop an anti-collision screen for birdlife based on the concept of equally-spaced tubular screens.
- **ASPHALTGEN:** A project developed by Serviá Cantó based on research into new asphalt aggregate paving with self-generating features based on technology consisting of ionic liquids encapsulated in inorganic materials.
- **GUIDENANO:** A project developed by Serviá Cantó that is developing innovative methodologies to evaluate and manage human and environmental health risks of nano-enabled products, considering the whole product life cycle.
- **DOVICAIM:** A project developed in conjunction with the "IH Cantabria" Environmental Water Institute to develop an integrated methodology and the tools required to support the complete life cycle of the construction of vertical docks using prefabricated blocks in a floating dock, including design, optimisation, construction, installation and operation. The project is focused directly on the clear strategic priority of ensuring the international development of FCC Construcción.
- **SORT-i:** A project from the Retos-Colaboración tender process. Its main objective is the 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 minimize the risks of physical damage in high-potential situations of structural collapse.
- **DANAE:** approved by the CDTI (Industrial Technological Development Centre) with the objective of achieving smart regulation of tunnel lighting, led by MATINSA.
- **CALA:** A project from the Retos-Colaboración tender process. Its objective is to improve water security and increase the reservoir capacity of brick dams by implementing lateral spill-collection channels. Calculation code, experimental validation and construction process. Participating in this project are FCC Construcción and MATINSA.
- **ROBIM:** As part of the CIEN programme, the objective of this project is to build an autonomous robot to inspect and assess existing buildings with BIM integration, developing an automated, active and multidisciplinary technology for inspection, assessment and diagnosis of the composition, condition and energy efficiency of the walls of existing buildings, thereby facilitating the obtaining of reliable information in sufficient detail on building systems and pathologies and a comprehensive analysis of the building.
- **CYRENE:** project approved by CDTI (Industrial Technological Development Centre) and developed by MATINSA, the objective of which is to develop a new system for the integrated management of road tunnels containing the control of all installations and implementing optimised global-management strategies.

FCC Construcción is participating in numerous European and Spanish R&D+i associations with the shared objective of articulating the role of the company as a driving force behind research, development and technological innovation in the Construction Area, pursuant to the approach taken in the EU's current H2020 programme.

Cementos Portland Valderrivas

The Cementos Portland Valderrivas Group's (CPVG) commitment to society takes the form of innovation in products, processes and technologies inherent to the materials it processes and manufactures.

Its innovation is designed strategically on the basis of three main axes:

- **Product innovation.** Leading to high-durability and high-mechanical performance cements.
- **Sustainable construction.** To obtain eco-efficient materials with a reduced carbon footprint.
- **Construction solutions.** Based on integral customer service.

In the Group's other activities, the circular economy continues to be encouraged by using alternative raw materials and fuels in our production processes, thereby enabling us to achieve savings in CO_2 emissions.

Fuel derived from waste is used in the furnaces at production facilities, having previously been handled at appropriate treatment plants operated by firms duly authorised by the local authorities (authorised waste handlers). The main advantage of this process is its use of the heat energy that this waste contains, thereby reducing in part the consumption of traditional fossil fuels, mostly derived from oil.

In 2017 the company renewed its commitment to combat climate change by researching new advanced technologies for CO_2 capture and driving energy valuation at most of its plants, with a view to reducing CO_2 emissions.

In the R&D area, the Cementos Portland Valderrivas Group launched the process to join an international consortium under the European **BIORECO2VER**, project, with the overall objective of creating alternative processes for producing chemicals (isobutene and lactic acid) on a commercial scale in a more sustainable way, by capturing industrial CO_2 emissions as the raw material, and exploring alternative non-fossil-dependent production technologies.

With a view to overcoming some of the technical and economic barriers involved in CO_2 capture and bio-conversion on an industrial scale, the project will focus on minimising production costs and improving industrial scalability as an important step in making the product commercially viable.

All the activities will be carried out by a well-balanced, experienced group made up of two research and technology institutions, two universities, four SMEs and four large industrial firms. Specifically, GCPV will lead the work package for CO_2 capture and enrichment for valuation as raw material for high-productivity processes.

In the environment area, the group's strategy includes the co-processing of fuels derived from waste in our production process, actively contributing towards the implementation of the circular economy and enabling CO_2-emissions savings to be obtained by permanently eliminating waste in a safe, effective way.

This year the Cementos Portland Valderrivas Group maintained energy valuation of alternative fuels in its clinker furnaces, achieving an average value of 12% across all its plants. In Spain this heat-replacement ratio has been consolidated with a 4% increase compared with 2016, now reaching around 15%. Part of these fuels consist of biomass, thereby avoiding emissions into the atmosphere of approximately 127,400 tonnes of CO_2, equivalent to the average annual emissions produced by 70,850 cars, i.e. approximately 0.3% of the cars in Spain.

The firm commitment towards this growing trend in Europe continues, with energy valuation now a standard, consolidated practice in countries such as Germany, Austria, Belgium, Denmark, the Netherlands, Sweden and Switzerland. Thanks to this environmental policy, landfills have practically disappeared, unlike the current situation in Spain, where more than half the waste generated ends up at a landfill.

In addition, GCPV encourages the responsible use of natural resources by valuing the materials obtained from industrial by-products, replacing natural raw materials to save non-renewable resources and avoid the impact that their use has on the natural environment. In 2017, the consumption of raw materials was 294,755 tonnes of industrial by-products.

12. Other relevant information stock market performance and other information

12.1 Stock Market Performance

Following is a detail of FCC's share performance in 2017 compared to 2016.

	Jan. – Dec. 2017	Jan. – Dec. 2016
Closing price (€)(1)	8.626	7.5510
Change in the period	14.2%	10.8%
High (€)(1)	9.879	9.3820
Low (€)(1)	7.551	6.0387
Average daily trading (shares)	75,231	1,679,079
Average daily trading (M€)	0.7	12.3
Market capitalisation at end of period (M€)	3,268	2,861
Number of shares outstanding	378,825,506	378,825,506

(1) Figures adjusted by the capital increase performed in 2016, amounting to EUR 118.25 million shares.

12.2 Dividends

In accordance with the principle of prudent management and in the best interest of all the Company's shareholders, in December 2012 FCC's Board of Directors resolved not to pay any dividends. This resolution remained unchanged in 2017.

This decision, included within the framework of the restructuring in progress since 2013, the purpose of which is to enhance operating efficiency and strengthen the balance sheet, must be ratified by the shareholders at the Annual General Meeting to be held in the first half of 2018.

13 Definition Of Alternative Performance Measures under ESMA Rules (2015/1415es)

EBITDA

We define EBITDA as the profit from continuous operations before tax, profit or loss of companies by the equity method, financial profit or loss, amortisation expenses, impairment and profit or loss from disposals of non-current assets, subsidies and net variation in provisions and other non-recurring expenditure and income.

EBIT

This corresponds to the operating profit or loss in the profit and loss account and consolidated earnings presented in the enclosed consolidated financial statements.

ORDERS

The FCC Group uses its orders as an off-book measure for certain business areas. We calculate orders for our Environmental Services, Water and Construction divisions, as their business is based on contracts in the long or medium term. We do not calculate orders for the Cement division, owing to the typically short-term nature of the ordering cycle.

On a given date orders are defined as the production or services pending, i.e. contracted sums or clients' orders, excluding taxes, minus any sum under such contracts or orders that has already been recognised as income. Pending income is valued according to current prices on the calculation date. Only sums that are binding on clients under a contract in effect or confirmed order are included as orders.

In the Environmental Services division we recognise the orders resulting from waste-handling contracts only if the contract guarantees exclusivity in the geographical area where the plant, landfill or facility is located.

In the Water division, the FCC Group calculates the income portfolio based on long-term estimates over the course of the contract, which are used as the basis for contracts with clients and at the rates established under those contracts.

In the Construction division, the FCC Group recognises orders only when there is a contract or order signed by the end client.

Once a contract has been included in orders, the value of the production pending completion under that contract remains on the order book until it is completed or cancelled. However, we do make valuation adjustments to reflect any changes to prices and deadlines that may be agreed with the client. For example, after the calculation date a given price may rise or fall as a result of the production contracted owing to additional work to be done.

Owing to multiple factors, some or all of the orders linked to a contract may give rise to actual earnings or not. As our orders are subject to projects being altered and cancelled, they cannot be taken as a reliable indication of future earnings.

NET FINANCIAL DEBT

To obtain the net financial debt the total gross financial debt (current and non-current) is considered, minus current financial assets, cash and bank and other current financial assets.

VOLUNTARY ROTATION INDEX

The ratio between the employees who have left voluntarily during the year and the total workforce. Both employees leaving the company permanently and those going on sabbatical are included.

Fomento de Construcciones y Contratas, S.A.

Financial Statements for the year ended 31 December 2017 and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
Spain

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Fomento de Construcciones y Contratas, S.A.,

Report on the Financial Statements

Opinion

We have audited the financial statements of Fomento de Construcciones y Contratas, S.A. (the Company), which comprise the balance sheet as at 31 December 2017, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2017, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of ownership interests in Group companies and associates	
Description	**Procedures applied in the audit**
The Company has ownership interests in the share capital of Group companies and associates substantially all of which are not listed on regulated markets, as detailed in Note 10 to the financial statements. The measurement of these ownership interests requires the use of significant judgements and estimates by management, both in determining the valuation method and in considering the key assumptions established for each method in question (use of correcting factors to adapt the comparable data considered, use of discount rates in determining the value by discounting future cash flows, etc.). As a result of the foregoing, as well as the significance of the investments held, which amounted to EUR 5,773 million at year-end and for which an accumulated impairment loss of EUR 2,900 million has been recognised, we consider the situation described to be a key matter in our audit.	Our audit procedures included, among others, obtaining and analysing the valuation studies conducted by Company management on the main ownership interests, and verifying the clerical accuracy thereof and the adequacy of the valuation method used in relation to the investment held. To this end, we analysed the recovery assumptions used by management and the ability of the investees to pay dividends, where appropriate, the value of the business of the investees on the basis of the Company's percentage of ownership and the sensitivity analyses of the key assumptions identified. Lastly, we evaluated whether the disclosures included in Note 10 to the accompanying financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Recoverability of deferred tax assets	
Description	**Procedures applied in the audit**
The balance sheet as at 31 December 2017 includes deferred tax assets of EUR 88 million. At year-end, Company management prepares financial models to evaluate the recoverability of the deferred tax assets, taking into account new legislation and the most recent business plans approved for the different divisions and geographical business areas in addition to the reversal periods foreseen for the temporary differences recognised in the balance sheet. We identified this matter as key in our audit,	Our audit procedures included, among others, obtaining the financial models prepared by the Company to assess the recoverability of the deferred tax assets and the supporting documentation used as the basis for their preparation. We reviewed the financial models obtained, including the consistency of the pre-tax income projected for the coming years with the data for the current year. Also, we analysed the reversal periods foreseen for the temporary differences recognised in the balance sheet and involved our internal tax experts in analysing the estimate of income tax for the

Recoverability of deferred tax assets	
Description	**Procedures applied in the audit**
since the preparation of these models requires a significant level of judgement, basically in connection with the projections of future business performance and the reversal periods foreseen for the temporary differences recognised, which affect the estimate of the recoverability of the deferred and other tax assets recognised in the balance sheet.	current year. Note 18 to the accompanying financial statements contains the disclosures relating to the Company's deferred taxes.

Provisions and contingent liabilities relating to Alpine	
Description	**Procedures applied in the audit**
As a result of the process of liquidating the Alpine Group that started in 2013, a series of lawsuits were initiated against the FCC Group, of which the Company is the parent, some of which are for a significant amount. Company management should assess whether these claims constitute contingent liabilities or whether, on the other hand, a provision should be recognised in the balance sheet. This was a key matter in our audit, since this assessment requires Company management to make significant judgements and estimates, especially regarding the probability of there being an outflow of resources in the future or the possibility of measuring the amount of the obligation reliably. These judgements and estimates are made by Company management based on the opinions of the internal legal department and its external legal advisers and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.	Our audit procedures included, among others, the review of the evolution of each of the lawsuits affecting the FCC Group of which the Company is the parent as a result of the liquidation of the Alpine Group. To this end, we obtained confirmations from its external legal advisers in order to analyse the current status of the proceedings in progress and discussed with Company management its assessment of the related risk, classifying the risk as "remote", "possible" or "probable". Also, we assessed whether the Company's disclosures in the financial statements in relation to the claims currently in progress are adequate, in accordance with the applicable regulatory framework, and checked whether the details thereof were consistent with the evidence gathered in the course of our tests. Notes 14 and 19 to the accompanying financial statements contain the detail of the provisions and disclosures regarding the contingent liabilities relating to the claims associated with Alpine.

Recognition of revenue from unbilled price revisions	
Description	**Procedures applied in the audit**
As described in Note 1 to the accompanying	Our audit procedures to address this matter

Recognition of revenue from unbilled price revisions	
Description	**Procedures applied in the audit**
financial statements, the Company engages mainly in the provision of environmental services, mainly to public bodies and departments. The recognition of this revenue, under the Company's habitual terms and conditions, is not complex and gives rise to accounts receivable with historically low levels of doubtful debts. However, the contracts that the Company enters into with the bodies and departments with which it operates generally include price revision clauses that require specific calculations which must be approved by these customers. In this context, the Company has implemented controls in the revenue accounting process that guarantee that the amount of revenue recognised is consistent with the contractual terms and conditions agreed upon. The recognition of revenue from price revisions that had not been billed at year-end was considered to be a key matter in our audit due to the significance of its amount with respect to the total net trade receivables balance at 31 December 2017.	included a combination of tests to verify that the relevant controls related to the process of accounting for revenue from price revisions operate effectively, together with substantive procedures, on a selective basis, such as obtaining and reaching an adequate understanding of the terms and conditions of the contractual agreements with the main clients and, in particular, in relation to the price revision agreements entered into, performing a recalculation of the price revisions at the date of our audit. Lastly, we assessed whether the disclosures made by the Company in this connection meet the requirements of the regulatory financial reporting framework applicable to the Company (see Note 11 to the accompanying financial statements).

Other Information: Directors' Report

The other information comprises only the directors' report for 2017, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report is defined in the audit regulations in force, which establish two distinct levels thereof:

a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit and Control Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on pages 7 and 8 below, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and control committee dated 27 February 2018.

Engagement Period

The Annual General Meeting held on 28 June 2016 appointed us as auditors for a period of one year from the year ended 31 December 2016.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 1990, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Antonio Sánchez-Covisa Martín-González
Registered in ROAC under no. 21251

27 February 2018

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit and control committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Corporate Governace Report

A2

End of relevant fiscal year: 2017
Tax ID Code A-28037224

Name:
Fomento de Construcciones y Contratas, S.A.

Registered Office:
C/Balmes, 36. 08007 Barcelona

A. Ownership structure

A.1 Complete the table below on the Company's share structure:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
04-03-2016	378,825,506	378,825,506	378,825,506

Indicate whether there are different classes of shares with different associated rights:

Yes ☐ No ☒

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 or company name of shareholder	Number of direct voting rights	Number of indirect voting rights		Pct. of total voting rights
		Direct holder of stake	Number of voting rights	
Gates III, William H.	–	Cascade Investment, LLC.	15,099,985	3.986%
Gates III, William H.	–	Bill & Melinda Gates Fundation Trust	6,629,446	1.750%
Inversora Carso S.A. de C.V.	36,992,351	Control Empresarial de Capitales, S.A. de C.V.	194,511,944	61.111%
Nueva Samede 2016, S.L.U.	17,172,313	–	–	4.533%

State the most significant changes in the shareholder structure during the year:

Name or company name of shareholder	Transaction date	Description of the transaction
–	–	–

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	Number of indirect voting rights		Pct. of total voting rights
		Direct holder of stake	Number of voting rights	
Aboumrad González, Alejandro	1	–	–	0.000
Dominum Desga, S.A.	6,007	–	–	0.002
Dominum Dirección y Gestión, S.A.	58,454,939	–	–	15.431
EAC Inversiones Corporativas, S.L.	47	–	–	0.000
Gil Madrigal, Manuel	725	Tasmania Inmuebles, S.L.	25,450	0.007
Inmobiliaria AEG, S.A. de C.V.	1	–	–	0.000
Kuri Kaufman, Gerardo	1,501	–	–	0.000
Proglio, Henri	4,600	–	–	0.001
Rodriguez Torres, Juan	200,000	–	–	0.053

Name or company name of Director	Number of direct voting rights	Number of indirect voting rights: Direct holder of stake	Number of indirect voting rights: Number of voting rights	Pct. of total voting rights
Samede Inversiones 2010, S.L.U.	–	Dominum Dirección y Gestión, S.A.	58,454,939	15.431
	–	Ejecución y Organización de Recursos, S.L.	50,965	0.013
	–	Dominum Desga, S.A.	6,007	0.002
	–	EAC Inversiones Corporativas, S.L.	47	0.000
Vazquez Lapuerta, Alvaro	2,910	–	–	0.001

Total pct. of voting rights held by the Board of Directors:	15,508

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: Direct owner of stake	Number of voting rights	Number of equivalent shares	Pct. of total 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 business 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:

Participants in the shareholders' agreement	Pct. of share capital affected	Brief description of the agreement
Esther Koplowitz Romero de Juseu y Control Empresarial de Capitales S.A. de C.V.	50.156	Relevant events of 27/11/2014 (See note)
Esther Koplowitz Romero de Juseu, Nueva Samede, Inversora Carso S.A. de C.V. y su filial Control Empresarial de Capitales, S.A. de C.V.	72.357	Relevant events of 05/02/2016 (See note)

Note:

Relevant event of 27/11/2014: the controlling shareholder of FCC informed that the negotiations with Control Empresarial de Capitales SA de CV, a company fully owned by Inmobiliaria Carso SA de CV, which in turn is controlled by the Slim family.

Relevant event of 05/02/2016: For the purpose of continuing the process of recapitalisation of Fomento de Construcciones y Contratas, S.A. ("FCC" or the "Company") through a new capital increase totalling 709,518,762 euros announced by the Company on 17 December 2015 (the "New Capital Increase"), the Company has been informed that Ms Esther Koplowitz Romero de Juseu ("EK") (and her related companies, Dominum Dirección y Gestión, S.A. ("Dominum") and Nueva Samede 2016, S.L.U. ("Nueva Samede")) signed with Inversora Carso S.A. de C.V. (I.Carso") and its subsidiary Control Empresarial de Capitales, S.A. de C.V. a Renewal, amendment and non-termination contract of the Investment Agreement signed on 27 November 2014 ("Renewal of the Investment Agreement").

The Investment Agreement was the subject of a relevant event published on 27 November 2014 and subsequently deposited in the Mercantile Register of Barcelona.

The main aspects of the Renewal of the Investment Agreement are that it establishes the terms and conditions for: (a) the incorporation of Nueva Samede to the Agreement in the capacity of a future shareholder of FCC following the New Capital Increase, (b) the continuation of the FCC recapitalisation process by means of the New Capital Increase, regulating the subscription commitment of both I.Carso and Nueva Samede, and (c) the amendment of certain provisions on corporate governance, the share transfer regime and the elimination of the provision regarding the maximum stake of the parties in the Company's share capital.

Indicate whether the Company is aware of any concerted actions among its shareholders. If so, give a brief description:

Yes ☐ No ☒

Participants in the concerted action	Pct. of share capital affected	Brief description of the action
–	–	–

If the shareholders' agreements or concerted actions have been amended or terminated in the year, indicate this expressly.

Relevant Event of 8 July 2014: Under the long-term syndicated Finance Contract entered into on 24–31 March 2014, which came into full effect on 26 June 2014, the Financing Entities assumed a set of restrictions on share transfers ("Share Non-Transfer Agreement") and an undertaking for the arranged sale of any new FCC shares they may receive if they exercise the Warrants subsequent to the conversion of Tranche B ("Arranged Sale Agreement"). As the Share Non-Transfer Agreement and the Arranged Sale Agreement restricted any free transferability of de FCC's shares by the banks, the two parties established para-corporate agreements pursuant to section 530 of the Capital Companies Act ("LSC").

Relevant Event of 28 February 2017 and 8 June 2017: FCC completed the process of signing the contracts for the refinance FCC's syndicated debt. All the affected creditor entities were involved in this process, which completely renewed the existing financing by replacing it with a new long-term credit facility for the FCC Group, with the group of companies headed by FCC Aqualia ceasing to be a bound party. The Company reported due compliance with all the suspension conditions to which the effectiveness of the Refinancing Documents was subject, including the advance repayment of a sum of €1.1 billion of the existing financing (including full cancellation of the tranche convertible into FCC shares and the warrants associated with that convertible tranche), charged to funds obtained from the Bond Issues carried out by FCC Aqualia S.A. ("FCC Aqualia"), reported to the market by means of Relevant Fact 252662 of 1 June.

Thus, the para-corporate agreements in respect of the relevant fact of 8 July 2014 are no longer effective.

A.7 Indicate if there is an individual or legal entity that exercises or can exercise control over the Company in accordance with Article 5 of the Securities Market Law: If so, name the person.

Yes ☒ No ☐

Name or company name
Inversora Carso, S.A. de C.V.

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
230,100	–	0.061

(*) Through:

Name of direct owner of stake	Number of direct shares
–	–
Total:	

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
–	–	–	–

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 on the agenda):

The General Meeting of Shareholders, on 30 November 2009, resolved under item two on the agenda to approve a buyback programme of own shares to fulfil the obligations deriving from the issuance of bonds exchangeable for shares, resolved under item one on the agenda at that same General Meeting.

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, which states:

Fomento de Construcciones, S.A., together with any of the Group companies fulfilling any of the circumstances set out in Article 42, paragraph 1, of the Code of Commerce, 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 listed price on the acquisition date, which must be comprised between the maximum and minimum values detailed below:

The maximum value would be the result of increasing by 20 per cent the highest listed price in the three months prior to the time of acquisition. The minimum value would be the result of deducting 20 per cent from the lowest listed price also in the 3 months prior to the time of acquisition.

By virtue of this authorisation the Board, the Executive Committee and CEO, indiscriminately, may acquire treasury shares, in the terms provided in Article 146 of the Capital Companies Act.

The Board of Directors, the Executive Committee and the CEO may also, indiscriminately, fully or partially allocate the treasury stock they acquire to the execution of remuneration programmes whose purpose is, or which entail the delivery of shares or share options, pursuant to the provisions in Article 146.1 of the 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, as the case may be, that have acquired them to fund the restricted reserve established by Article 148, rule 3, of the Capital Companies Act."

A.9 bis. Estimated floating capital

13.143%

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 ☐ No ☒

Description of the restrictions
–

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 ☒

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 ☒

Note:

On 1 June 2017, a new relevant fact was reported subsequent to relevant facts 249540 and 252375, consisting of the setting of the price for two single bond issues by FCC Aqualia S.A. (a subsidiary of Fomento de Construcciones y Contratas S.A.), one to the value of €700 million, with annual earnings of 1.413% and maturing in 2022, and the other to the value of €650 million, with annual earnings of 2.629% and maturing in 2027. These two issues will be covered by the collateral of certain assets of the FCC Aqualia group. Following approval and registration of the corresponding brochure, the Bonds are expected to be admitted for trading on the unregulated Global Exchange Market of the Irish Stock Exchange).

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 ☒ No ☐

	Quorum percentage other than that established in Art. 193 of LSC for general cases	Quorum percentage other than that established in Article 194 of LSC for the special cases in Article 194 LSC
Quorum required at first call	50	50
Quorum required at second call	45	45

Description of differences

Consolidated Text of the Bylaws Adopted at the Ordinary General Meeting on 28 June 2016 and registered in the Mercantile Register of Barcelona on 21 October 2016

Art. 17.- Constitution of the Board

1. The Ordinary or Extraordinary General Meeting, will be validly constituted, at first call, when the shareholders present or represented at the meeting have at least fifty per cent (50%) of the subscribed capital with voting rights; at second call, the Meeting is quorate when the shareholders present or represented possess at least forty-five per cent (45%) of the share capital with voting rights. Excepted from the foregoing are any cases in which, according to the items included in the agenda, the requirement of a percentage of capital greater than that established by applicable legislation for the possible constitution of the General Meeting is not legally feasible.
2. In addition, the percentages referred to in the preceding paragraph shall also be the percentages applicable, so that the Ordinary or Extraordinary General Meeting can validly decide on the issuance of obligations, which, in accordance with the regulations applicable at that time, that are competence of the General Meeting, capital increases or decreases, changes of corporate form, mergers and spinoffs, the assignment en bloc of assets and liabilities, to suspend or limit the pre-emptive right to acquire new shares, the transfer of the Company's registered office to another country and, in general, any amendment to the Bylaws.

If, in order to validly adopt an agreement in respect of any, or several, of the items on the agenda convening the General Meeting were necessary, in accordance with the applicable legal or statutory regulations, for there be attendance by a particular percentage of the share capital social and this percentage is not reached, or the consent of certain shareholders concerned and they were not present or represented, the General Meeting shall limit itself to deliberating and deciding on those agenda items that do not require the attendance of said percentage of the share capital or of such shareholders.

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 ☐

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	50.01%	N/A

Describe the differences

The Consolidated Text of the Bylaws Adopted at the Ordinary General Meeting on 28 June 2016 and registered in the Mercantile Register of Barcelona on 21 October 2016.

Art. 26. Deliberations. Agreements adopted. Minutes

3 […] In particular, the favourable vote of shares present or represented at the Meeting representing over fifty percent (50%) of the subscribed capital with voting rights, or debentures or securities that are convertible into shares that exclude pre-emptive rights for shareholders of the Company shall be required.

Note:

50.01% is calculated on the subscribed share capital with voting rights.

B.3 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.

As adopted at the Ordinary General Meeting of Shareholders of 28 June 2016, following the amendments of the Company's bylaws, Article 26 of the bylaws establishes:

"Resolutions shall be adopted by a simple majority of the votes of the shareholders' present or represented at the Meeting, and a resolution shall be deemed to have been adopted when it receives more votes for than against of the present or represented capital, except cases where the Law or these bylaws require a special majority:

In particular, the favourable vote of shares present or represented at the Meeting representing over fifty percent (50%) of the subscribed capital with voting rights, or the issue of debentures or securities that are convertible in shares that exclude pre-emptive rights for shareholders of the Company shall be required.

Therefore, the internal rules of the Company do not contain any provision concerning the amendment of bylaws different to those provided in the law.

B.4 Indicate the 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. of distance vote:		
	Pct. present	Pct. represented	Electronic voting	Other	Total
28-06-2017	20.261%	68.631%	0.004%	0.030%	88.927%

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 ☒

No. of shares required to attend the General Meeting

B.6 Article revoked.

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 '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, shareholders' agreements and ethics and integrity. 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, and all the pages are printable.

The pages of this website were developed in compliance with Level AA in accordance with UNE 139803:2004 standard, which, in turn, is based on the Web 1.0 Content Accessibility Guidelines of W3C.

All requirements of the Priority 1 and Priority 2 have been checked by experts on accessibility via manual analysis of the accessibility, supplemented by various semi-automatic tools, user agents and technical assistance devices.

C. 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	15
Minimum number of Directors	15

C.1.2 Fill in the table below with the members of the Board:

Name or company name of Director	Representative	Status of Director	Board position	Date of first appointment	Date of last appointment	Election procedure
Dominum Desga, S.A	Esther Alcocer Koplowitz	Proprietary	Chairperson	27-09-2000	28-06-2016	General Meeting
Samede Inversiones 2010, S.L.U.	Esther Koplowitz Romero de Juseu	Proprietary	Vice-president	13-04-2015	25-06-2015	General Meeting
Pablo Colio Abril		Executive	Director	12-09-2017	12-09-2017	Cooptación
Carlos Manuel Jarque Uribe		Proprietary	Director	29-06-2016	29-06-2016	General Meeting
Alejandro Aboumrad González		Proprietary	Director	13-01-2015	25-06-2015	General Meeting
Dominum Dirección y Gestión, S.A.	Carmen Alcocer Koplowitz	Proprietary	Director	26-10-2004	25-06-2015	General Meeting
EAC inversiones corporativas	Alicia Alcocer Koplowitz	Proprietary	Director	30-03-1999	23-06-2014	General Meeting
Manuel Gil Madrigal		Independent	Director	27-02-2015	25-06-2015	General Meeting
Antonio Gómez García		Proprietary	Director	29-06-2016	29-06-2016	General Meeting
Inmobiliaria AEG, S.A. de CV	Carlos Slim Helú	Proprietary	Director	13-01-2015	25-06-2015	General Meeting

Name or company name of Director	Representative	Status of Director	Board position	Date of first appointment	Date of last appointment	Election procedure
Gerardo Kuri Kaufmann		Executive	Director	13-01-2015	25-06-2015	General Meeting
Henri Proglio		Independent	Director	27-02-2015	25-06-2015	General Meeting
Juan Rodríguez Torres		Proprietary	Director	7-10-2015	28-06-2016	General Meeting
Alfonso Salem Slim		Proprietary	Director	29-06-2016	29-06-2016	General Meeting
Álvaro Vázquez de Lapuerta		Independent	Director	27-02-2015	25-06-2015	General Meeting

Total number of Directors	15

State any removals from the Board of Directors in the period subject to information:

Name or company name of Director	Status of Director at time of removal	Date removed
Miguel Ángel Martínez Parra	Executive	12-09-2017

C.1.3 *Fill in the tables below on the members of the Board and their status:*

EXECUTIVE DIRECTORS

Name or Company name of Director	Position in the Company
Pablo Colio Abril	CEO of FCC
Gerardo Kuri Kaufmann	CEO of Cementos Portland Valderrivas

Total number of Executive Directors	2
Pct. of total Board members	13.33

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of Director	Name or company name of the significant shareholder who is represented or who proposed the appointment
Dominum Desga, S.A.	Dominum Dirección y Gestión, S.A.
Samede Inversiones 2010, S.L.U	Dominum Dirección y Gestión, S.A.
Carlos Manuel Jarque Uribe	Control Empresarial de Capitales, S.A. de C.V.
Alejandro Aboumrad González	Control Empresarial de Capitales, S.A. de C.V.
Dominum Dirección y Gestión, S.A.	Dominum Dirección y Gestión, S.A.
EAC Inversiones Corporativas, S.L.	Dominum Dirección y Gestión, S.A.
Antonio Gómez Garcia	Control Empresarial de Capitales, S.A. de C.V.
Inmobiliaria AEG, S.A. de CV	Control Empresarial de Capitales, S.A. de C.V.
Juan Rodriguez Torres	Control Empresarial de Capitales, S.A. de C.V.
Alfonso Salem Slim	Control Empresarial de Capitales, S.A. de C.V.

Total number of Proprietary Directors	10
Pct. of total Board members	66.66

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of Director	Profile
Manuel Gil Madrigal	Degree in Law and Business (E-3) from ICADE, he is a founding partner of the company Tasmania Gestión. In the year 2000, he also founded the financial company N+1 and has been a Director of Ezentis, Funespaña, General de Alquiler de Maquinaria (GAM) and Campofrío, among other companies. During his professional career, he has also been Capital Markets Director at AB Asesores Bursátiles, a partner at Morgan Stanley and auditor at Arthur Andersen.
Henri Proglio	Degree from the HEC Paris and is chairman of Thales. He is currently a Director on the Boards of Natixis Banque and Dassault Aviation. He chaired the energy giant Électricité de France (2009-2014) and Veolia Environnement (2003-2009) and has been a Director of FCC, Group Lagardiére and Vinci, among other companies.
Álvaro Vazquez de Lapuerta	Degree in Law and Business (E-3) from ICADE, he is currently a partner of Akiba Partners and Meridia Capital Partners. He was general manager for Spain and Portugal of Dresdner Kleinwort and CEO and Investor Relations manager of the securities company BBVA Bolsa. He previously held posts at JP Morgan in Mexico, New York, London and Madrid.

Total number of Independent Directors	3
Pct. of total Board members	20

State whether any of the Directors considered Independent Directors receive from the Company or from the group any sums of money 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 or company name of Director	Description of the relationship	Statement

OTHER EXTERNAL DIRECTORS

Identify any other External Directors and state why these Directors cannot be considered Proprietary or Independent Directors, and indicate any relations between them and the Company, its executives or shareholders:

Name or company name of Director	Reasons	Company, executive or shareholder with which he/she is related
–	–	–

Total number of other external Directors	–
Pct. of total Board members	–

Indicate any changes in Directors' status in the period, as the case may be:

Name or company name of Director	Date of change	Previous status	Current status current
Carlos Manuel Jarque Uribe	12/09/2017	CEO	Proprietary director

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	0.00	0.00	0.00
Proprietary	4	4	4	5	40.00	44.44	50.00	55.55
Independ-ent	0	0	0	0	0.00	0.00	0.00	0.00
Other External	0	0	0	0	0.00	0.00	0.00	0.00
Total:	4	4	4	5	26.66	26.66	36.36	35.71

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

The Board Regulations establish the following in Article 38.4.h, within the duties of the Appointments and Remuneration Committee: "Assisting the Board in its function of ensuring that the procedures for the selection of its members favour gender diversity, experience and knowledge and are not tainted by implicit biases that might imply any discrimination whatsoever and, in particular, they are to favour the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile and, as the case may be, the Board must disclose in the Annual Corporate Governance Report the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal".

On 18 November 2014 FCC and the Ministry of Health, Social Services and Equality signed an agreement for the promotion of the balanced participation of men and women on the Board of Directors (Collaboration Agreement between the Ministry of Health, Social Services and Equality and FCC 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 the recommendations of the Code of Good Governance; for listed companies to 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.

On 5 December 2016, a follow-up report for the aforementioned 2014 agreement was sent to the aforementioned Ministry.

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
The Board Regulations establish the following in Article 38.4.h, within the duties of the Appointments and Remuneration Committee: "Assisting the Board in its function of ensuring that the procedures for the selection of its members favour gender diversity, experience and knowledge and are not tainted by implicit biases that might imply any discrimination whatsoever and, in particular, they are to favour the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile and, as the case may be, the Board must disclose in the Annual Corporate Governance Report the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal"

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.1.6.bis Explain the conclusions of the Appointments Committee regarding the verification of compliance with the Board member policy selection. And especially whether such policy is promoting the goal for 2020 of having at least 30% female members on the Board of Directors.

At the General Meeting of Shareholders held on 28 June 2016, four new directors were appointed at the proposal of the controlling shareholder Inversora Carso, which asserted the power granted by the shareholders agreement dated 25 February 2016. Two other Board members were also renewed at this Meeting.

On 12 September 2017 the Board of Directors appointed Pablo Colio Abril as the CEO.

In the seven cases, the Appointments and Remuneration Committee issued a favourable report to the Governing Council on the suitability of the directors.

In addition, at 31 December 2017, more than 25% of FCC's Board of Directors are women and its non-executive chairperson is Ms Esther Alcocer Koplowitz.

C.1.7 State how shareholders with significant holdings are represented on the Board:

Inversora Carso S.A de C.V., via Control Empresarial de Capitales S.A de C.V., is represented by six proprietary directors: Carlos Manuel Jarque Uribe, AEG Inmobiliaria, S.A. de C.V. (Representative: Carlos Slim Helú), Juan Rodríguez Torres, Alejandro Aboumrad González, Alfonso Salem Slim, Antonio Gómez Garcia.

Dominum Dirección y Gestión S.A. and Nueva Samede 2016 S.L.U. are represented by four proprietary directors: Dominum Dirección y Gestión S.A. itself (Representative: Carmen Alcocer Koplowitz), Samede Inversiones 2010 S.L.U (Representative: Esther Koplowitz Romero de Juseu), Dominum Desga S.A. (Representative: Esther Alcocer Koplowitz), and EAC Inversiones Corporativas S.L. (Representative: Alicia Alcocer Koplowitz).

C.1.8 Explain, as the case may be, the reasons why proprietary directors have been appointed at the request of shareholders whose holding is below 3% 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 proprietary directors. Detail the reasons for any such rejection, as the case may be:

Yes ☐ No ☒

NoName 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
Miguel Ángel Martínez Parra	Personal reasons

C.1.10 State the powers delegated to the or CEO(s), if any are delegated:

Name or company name of Director	Brief description
Pablo Colio Abril	All except the non-delegable

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	Does he/she have executive duties?
EAC, Inversiones Corporativas, S.L., (representada por: Alicia Alcocer Koplowitz)	Cementos Portland Valderrivas	Chairperson	No
Inmobiliaria AEG, S.A. de C.V., (representada por Alejandro Aboumrad González)	Cementos Portland Valderrivas	Director	No
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas	CEO	Yes
Carlos Manuel Jarque Uribe	Cementos Portland Valderrivas	Director	No
Juan Rodríguez Torres	Cementos Portland Valderrivas	Director	No
Alvaro Vazquez de Lapuerta	Cementos Portland Valderrivas	Director	No
Pablo Colio Abril	FCC Industrial Perú, S.A.	Board member	Yes
	Guzman Energy O&M, S.L.	Chairman	Yes

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
EAC Inversiones Corporativas, S.L. (representada por Esther Alcocer Koplowitz)	Realia Business	Director
Carlos Manuel Jarque Uribe	Realia Business	Director
Gerardo Kuri Kaufmann	Realia Business	CEO
Manuel Gil Madrigal	Grupo Barón de Ley, S.A.	Director
Juan Rodríguez Torres	Realia Business	Non-executive chairperson

C.1.13 State whether the board regulations has established rules about the number of directorships its Board members can hold, and describe any such rules:

Yes ☐ No ☒

Explanation of the rules

C.1.14 Article revoked.

C.1.15 Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (in thousand euros)	3,206.7
Amount of pension rights accrued by the Directors (in thousand euros)	0
Amount of pension rights accrued by former Directors (in thousand euros)	4,232

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)
Marcos Bada Gutiérrez	General Manager of Internal Audits
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	Company Secretary
Miguel Ángel Martínez Parra	Administration and Finance Director
Félix Parra Mediavilla	General Manager of Aqualia

Total remuneration of senior management (in thousand euros)	3168.27

NOTE:

The remuneration data includes sums received by the current CEO of FCC and Managing Director of FCC Construcción, Pablo Colio, between 16 January and 12 September 2017, when the sole office that he held was as MD of FCC Construcción.

Also included are sums received by Miguel Ángel Martínez Parra after he ceased to be an executive director of FCC, on 12 September 2017.

The sum corresponding to the severance payment received by Miguel Jurado in 2017 is also included. Miguel Jurado was the MD of FCC Construcción until 16 January 2017. He subsequently held the position of Collections and Claims Director (reporting directly to the CEO) until his employment by the Group was terminated on 27 December 2017.

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
Alejandro Aboumrad González	Inversora Carso S.A. de C.V.	General Manager and Director at Group companies
Antonio Gómez García	Inversora Carso S.A. de C.V.	Director at Group companies
Gerardo Kuri Kaufmann	Inversora Carso S.A. de C.V.	Administrator at Group companies
Carlos Manuel Jarque Uribe	Inversora Carso S.A. de C.V.	Member of the supervisory board of Telekom Austria AG
Juan Rodríguez Torres	Inversora Carso S.A. de C.V.	Director at Group companies
Alfonso Salem Slim	Inversora Carso S.A. de C.V.	General Manager and Director at Group companies
Pablo Colio Abril	Inversora Carso S.A. de C.V.	Director at Group companies

Identify, as the case may be, 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 related Director	Name or company name of related significant shareholder	Description of relationship
–	–	–

C.1.18 State whether there have been any amendments of the board rules during the year:

Yes ☐	No ☒

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 maximum periods of four years (Art. 30.3 of the Bylaws).

According to Article 29.4 of the Bylaws, the Board of Directors, in the proposals of appointment, re-appointment, ratification or removal of directors that it submits to the General Meeting and in the appointment decisions adopted by the Board by virtue of the powers of co-optation that it is legally attributed, shall follow the criteria and guidelines established in that respect in the Rules of the Board of Directors.

Chapter IV of the Rules of the Board of Directors, “Appointment and Removal of Directors,” establishes the following:

Article 16. Appointment, ratification or re-election of directors 1. Proposals for the appointment or re-election 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, solvency, 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. 2. The proposal must in any case be backed by a report from the Board assessing the competence, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Meeting or of the Board meeting. 3. Where a legal person is appointed as a director, it must appoint a natural person to discharge the duties of the office on a permanent basis; that natural person must fulfil the requirements as to integrity, solvency, technical competence and experience and the rules on prohibitions and incompatibilities contained in these Rules, and the duties of Director established in these Rules shall apply to him/her on a personal basis. Removal of the representative by the legal person that is a director shall not take effect until their replacement is appointed. Also, the proposal of a natural person as a representative is subject to the report drawn up by the Appointments and Remuneration Committee. 4. From the publication of the notice of the General Meeting, the Board of Directors must publish, on the website, the following information about the persons proposed for appointment or ratification as directors and, as the case may be, on the natural person representing a Director who is a legal person: (i) professional experience and background; (ii) Other Boards of Directors on which they are members, regardless of whether they are listed companies; (iii) an indication of the director’s classification; in the case of proprietary directors, the shareholder they represent or have links with must be identified; (iv) the date of their first and subsequent appointments as a company director;

(v) shares of the Company and financial derivatives whose underlying are shares of the Company that are owned by the director proposed for ratification or re-appointment or by the candidate for first-time appointment as director. This information must be kept up to date; and (vi) the reports and proposals of the relevant bodies in each case. 5. The Secretary of the Board of Directors will provide each new director with a copy of the Articles of Association, these Rules, the FCC Group Code of Ethics, the Internal Code of Conduct in relation to the Securities Market, the latest annual Financial Statements and Management Report, of both the Company and its consolidated Group, as approved by the General Meeting of Shareholders, the auditors’ report on the Financial Statements and the latest financial information provided to the markets. It will also provide them with the names of the current auditors and their interlocutors. 6. Each director must sign a receipt for the documentation and undertake to acquaint himself/herself of it immediately and to faithfully fulfil his obligations as a director. 7. The Company will establish induction programmes to provide newly-appointed directors rapidly with sufficient knowledge of the Company and its Group and the corporate governance rules, while also offering refresher courses when circumstances make this advisable.

Artículo 17. Term of office

1. Directors will 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. Also, if there is a vacancy once the General Meeting is called and before it takes place, the Board of Directors may designate a Director until the next General Meeting takes place. 3. Directors whose mandates expire or who cease to sit on the Board for any reason may not render services to FCC competitors for a term of two (2) years. 4. The Board of Directors, at its discretion, may waive or reduce this limitation for outgoing directors.

Article 18. Re-election of Directors

Besides fulfilling the requirements for appointment established in Article 16 above, prior to proposing the re-appointment of any director to the General Meeting of Shareholders, the Appointments and Remuneration Committee must issue a report evaluating the quality of work and dedication of the proposed directors during their previous mandate.

Article 19. Removal of Directors

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 Articles of Association. 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 proprietary directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that the number of proprietary directors must be reduced. c) When they fall under a situation of incompatibility or legal disqualification provided by law.

d) When the Board, by a minimum 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 their permanence on the Board may jeopardise the Company's credibility and reputation. Accordingly, 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 or not the director must resign, and it must give a justification in the Annual Corporate Governance Report. 3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative. 4. The Board of Directors may not propose the removal of independent directors before the expiry of their tenure for which they had been appointed, except where just cause is found by the Board, based on a report from the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the circumstances enumerated in Article 6.2.a) of these rules that disqualify them from appointment as an independent director. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's capital structure due to the proportionality between the number of proprietary directors and independent directors in relation to the capital represented by the proprietary directors and the rest of the capital. 5. When a director steps down before his mandate has finished, either due to resignation or otherwise, he or she must set out the reasons in a letter to be sent to all other members of the Board, notwithstanding that said change should be communicated as a Relevant Event and the reasons must be disclosed in the Annual Corporate Governance Report. In particular, where the director resigns due to the adoption by the Board of significant or repeated decisions to which the director has placed serious objections on record, and decides to resign as a result, the resignation letter to the other directors must expressly state this fact.

C.1.20 Explain to what extent that annual evaluation of the Board has given rise to important changes in its internal organisation and in the procedures applying to its activities:

Description of the amendments
In the year 2017, no deficiencies were detected such as to warrant an action plan.

C.1.20.bis. Explain the evaluation process and the areas that the Board of Directors has evaluated, assisted, as the case may be, by an external consultant, regarding the diversity in its composition and powers, the functioning and composition of its committees, the performance of the Chairperson of the Board and of the Company's CEO, and of the performance and contribution of each Director.

The Board of Directors of Fomento de Construcciones y Contratas, S.A. (hereinafter, the Company) issued a report that evaluated by the quality and efficiency of its operation and that of its Committees during 2016 for the purpose of complying with the duty imposed by Article 34.9 of the Rules of the Board of Directors, which incorporates Recommendation 36 of the Code of Good Governance of Listed Companies published by the Spanish National Securities Market Commission on 18 February 2015 and Article 529 nonies of the Capital Companies Act.

The Report was reviewed and approved by the Company's Board of Directors which, according to the aforementioned Article 34.9 of the Rules of the Board of Directors, is responsible for assessing the quality and efficiency of its own operations, in its meeting on 31 January 2018. All the Board members played an active part in drafting the report, and all the comments, assessments, opinions and suggestions made by all of them during the process were taken into consideration.

For the 2017 financial year report, the self-evaluation process was carried out via the appraisal of a number of aspects with a bearing on the functioning, efficiency and quality of the performance and decision-making of the Board of Directors, as well as the members' contributions to the performance of the functions and the achievement of the objectives entrusted to the Board.

In addition, the adherence to and compliance by the Board of Directors and its members in respect of the Rules of the Board of Directors and, in general, of the rules of Good Corporate Governance of Listed Companies.

C.1.20.ter.Detail, as the case may be, the business relations between the consultant or any of its group companies with the company or any of its group companies.

This does not apply because the evaluation was done internally.

C.1.21 State the reasons for which Directors may be forced to resign.

Consolidated text of the Rules of the Board of Directors following the changes of 28 July 2016, registered at the Commercial Registry on 21 October 2016)

Article 19. Removal of Directors

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 Articles of Association.

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 peform the functions by virtue of which they were appointed.

   b) In the case of proprietary directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that the number of proprietary directors must be reduced.

   c) When they fall under a situation of incompatibility or legal disqualification provided by law.

d) When the Board, by a minimum 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 their permanence on the Board may jeopardise the Company's credibility and reputation. Accordingly, 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 or not the director must resign, and it must give a justification in the Annual Corporate Governance Report.

3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative.

4. The Board of Directors may not propose the removal of independent directors before the expiry of their tenure for which they had been appointed, except where just cause is found by the Board, based on a report from the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the circumstances enumerated in Article 6.2.a) of these rules that disqualify them from appointment as an independent director. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's capital structure due to the proportionality between the number of proprietary directors and independent directors in relation to the capital represented by the proprietary directors and the rest of the capital.

5. When a director steps down before his mandate has finished, either due to resignation or otherwise, he or she must set out the reasons in a letter to be sent to all other members of the Board, notwithstanding that said change should be communicated as a Relevant Event and the reasons must be disclosed in the Annual Corporate Governance Report. In particular, where the director resigns due to the adoption by the Board of significant or repeated decisions to which the director has placed serious objections on record, and decides to resign as a result, the resignation letter to the other directors must expressly state this fact.

C.1.22 Article revoked.

C.1.23 Is a supermajority, other than the legal majority, required in some decisions?:

Yes ☐ No ☒

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 Chairperson of the Board of Directors.

Yes ☐ No ☒

Description of requirements
–

C.1.25 State whether the chairperson has a casting vote:

Yes ☐ No ☒

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 ☒

Age limit for Chairperson ☐

Age limit for CEO ☐ Age limit for Director ☐

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 ☒

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 any limitations have been established regarding categories where it is possible to delegate, beyond the limitations imposed by the legislation. If so, give a short 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 Chairperson did not attend the Board meeting. Proxies granted with specific instructions are not counted as absences:

Number of meetings of the Board of Directors	9
Number of Board meetings without the attendance of its Chairperson	0

If the chairperson is the CEO, indicate the number of meetings held, without assistance or representation of any Executive Director and under the Chairpersonship of the coordinator Director.

Number of meetings	–

Indicate the number of meetings held by the various Board Committees in the year:

Number of Executive or Steering Committee meetings	6
Number of Audit Committee meetings	8
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 its members. Proxies granted with specific instructions are not counted as absences:

Number of Board meetings attended by all the Directors	4
Pct. of attendance over the total votes during the year	94.81%

C.1.31 State whether the individual and consolidated financial statements that are presented for Board approval have been certified:

Yes ☒ No ☐

Indicate any person(s) who have certified the company's individual and consolidated financial statements for Board authorisation:

Name	Position
Pablo Colio Abril	CEO
Miguel Ángel Martínez Parra	General Manager of Administration and Finance
Juan José Drago Masiá	General Manager of Administration

C.1.32 *Detail whether the Board of Directors has established any mechanisms to prevent the individual and consolidated financial statements authorised by it, being 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.

In this way, 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 ☒

If the Secretary is not a Director, fill in the table below:

Name or company name of Secretary	Representative
Francisco Vicent Chuliá	–

C.1.34 *Article revoked.*

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.*

For this purpose, Article 37.5 of the Rules of the Board of Directors states that "The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the external auditors, among others. 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 and, in particular, on the outcome of the audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in that process.

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, reappointment and removal of the external auditor, being responsible for the selection process, in accordance with EU regulations 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, as well as ensuring its independence in the performance of its functions, 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, without compromising his or her independence; For this purpose, and if appropriate, the Audit and Control Committee may submit recommendations or proposals to the Board of Directors and the corresponding term for their follow-up. (iv) Establish the relevant relations with the external auditor to receive information on matters that may represent a threat to his or her independence for consideration by the Committee, and any other related to the process of conducting the audit and, where appropriate, the authorisation of services other than those prohibited, in the terms referred to in the statutory regulations on the activity of account auditing on the relationship to independence, as well as any other disclosures provided for in the legislation on account auditing and in auditing standards; (v) Ensuring the independence of the external auditor, establishing, in particular, suitable measures: 1) so that contracting consulting services with that auditor or a company of its group does not jeopardise its independence, to which end the Committee will request and receive annually from the auditor a written confirmation of its independence with respect to the Company or entities directly or indirectly related to it, as well as information on any additional services of any type, and the corresponding fees, provided to those entities by the external auditor or by persons or entities related to the auditor, as provided for in the Auditing Act; and 2) so that 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, and their nature and in the case where the external Auditor resigns, the circumstances that led to this resignation; and (vi) 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 whether the independence of the account auditors or auditing companies have been compromised. In any event, this report must be a realistic assessment of the provision of each and every one of the additional services referred to in section b) (iv) 1 above, considered individually and in the aggregate, other than legal auditing and in relation to the independence or auditing regulations and standards.

d) Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and directly report to it 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 efficacy of the Company's internal control and the risk control and management policy approved by the Board of Directors, ensuring that the latter at least identifies: (i) The different types of risks that the Company faces, including, among others, financial and economic risks, contingent liabilities and other off-balance sheet risks; (ii) Establishing the risk level that the Company deems acceptable; (iii) The measures provided to mitigate the impact of the identified risks in the event they materialise; and (iv) The reporting and internal control systems that will be used to control and manage said risks, including contingent liabilities and off-balance sheet risks, submitting them to the Board of Directors for their approval.

f) Supervising the preparation and presentation of the annual financial statements and management report of the Company, both individual and consolidated, and of the information released periodically to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions: (i) 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 (ii) 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.

g) With respect to internal control and reporting systems: (i) Supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria; (ii) Reviewing internal control and risk management systems on a regular basis, including tax control systems, to ensure that the main risks are properly identified, managed and disclosed appropriately; (iii) Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the department's budget; receiving regular reports on its activities; and verifying that senior management are acting on the conclusions and recommendations of its reports. Receiving information from time to time from the Response Committee and the Risk Control and Management Department on the development of its activities and the functioning of internal controls; and (v) Ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the Company, and reviewing that the persons subject to said codes and rules of governance comply with their reporting obligations to the Company.

h) Issuing reports and proposals as requested by the Board of Directors or the Chairperson of the Board and those it deems appropriate for the best performance of its functions, particularly (i) The report on proposed amendments to these Board Rules, pursuant to the provisions in Article 4.3; (ii) Deciding on requests for information presented by directors, pursuant to the provisions in Article 26.3 of these Rules, to the Committee; and (iii) Requesting, as the case may be, the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in Article 34.3 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 ☒

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 ☒ No ☐

	Company	Group	Total
Amount of other non-audit jobs (in thousand euros)	306	137	443
Amount of non-audit jobs / total amount billed by audit firm (in pct.)	39.27%	4.19%	10.97%

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 ☒

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	16	16

	Company	Group
Number of years the current audit firm has audited / number of years the Company has been audited (as a percentage)	57.1%	57.1%

Note:

The Company and the FCC Group have been audited by Deloitte S.L. since 2002. Previously, since 1990 the Company and Group had been audited by Arthur Andersen, which ceased trading globally in 2002 when it merged with Deloitte.

C.1.40 State whether there is a procedure for directors to engage external consultants and, if so, provide details:

Yes ☒ No ☐

Detail the procedure

Rules of the Board of Directors. Article 27. Expert assistance

1. In order to assist them in performing their duties, non-executive 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 Chairperson of the Board of Directors and will be approved by the Board of Directors if the latter considers that: a) it is necessary for the proper performance by non-executive 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 ☒ No ☐

Detail the procedure

Rules of the Board of Directors. Article 26. Powers of information and inspection.

"1. In order to perform their duties, all Directors have the right to request and to compile any suitable and necessary information from the Company that is useful in the fulfilment of their obligations on any aspect related to FCC and its subsidiaries and associated companies, in Spain and other countries. To this end, they may examine documentation they consider necessary, talk to the heads of the departments in question and visit the companies' facilities. 2. So as not to disturb the ordinary operations of the FCC Group, the exercise of these information rights must be channelled through the Chairperson, who will respond to the Director's requests by either providing the information directly or offering the appropriate interlocutors at the pertinent organisational level. 3. If such a request for information is denied, delayed or handled deficiently, the requesting Director may refer his petition to the Audit and Control Committee, which must grant a hearing to both the Chairperson and requesting Director before deciding how to proceed. 4. The requested information may only be denied when, in the opinion of the Chairperson and the Audit and Control Committee, it is unnecessary or could be harmful to the Company's interests. Information requests cannot be denied if supported by a majority of the Board members.

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 ☒ No ☐

Explain the rules:

Rules of the Board of Directors. Article 25. 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. (e) In general, of any event or situation that might be relevant to his or her performance as an FCC Director.

Article 19. Removal of Directors.

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 Articles of Association.
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 proprietary directors, when the shareholder whose interests they represent disposes of its holding in FCC or reduces it to such a level that its number of proprietary 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 minimum 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 their permanence on the Board may jeopardise the Company's credibility and reputation. Accordingly, 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 or not the Director must resign, and it must give a justification in the Annual Corporate Governance Report.
3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative.
4. The Board of Directors may not propose the removal of independent directors before the expiry of their tenure for which they had been appointed, except where just cause is found by the Board, based on a report from the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the circumstances enumerated in Article 6.2.a) of these rules that disqualify them from appointment as an independent director. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's capital structure due to the proportionality between the number of proprietary directors and independent directors in relation to the capital represented by the proprietary directors and the rest of the capital.
5. When a director steps down before his mandate has finished, either due to resignation or otherwise, he or she must set out the reasons in a letter to be sent to all other members of the Board, notwithstanding that said change should be communicated as a Relevant Event and the reasons must be disclosed in the Annual Corporate Governance Report. In particular, where the director resigns due to the adoption by the Board of significant or repeated decisions to which the director has placed serious objections on record, and decides to resign as a result, the resignation letter to the other directors must expressly state this fact."

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 ☒

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.

On 5 February 2016, 2016 Nueva Samede, S.L.U. ("Nueva Samede") and I.Carso signed a purchase option agreement for shares in Fomento de Construcciones y Contratas, S.A. ("FCC") before the Notary of Madrid Mr Jaime Casanova Recarte under Number 285 of his Notary Record (the "Purchase Option"), under which Nueva Samede irrevocably gave and granted to I.Carso a right of option to purchase 9,454,167 ordinary FCC shares representing 2.496% of its share capital and of which Nueva Samede is owner after the subscription and payment provided for in FCC's capital increase which was registered in the Mercantile Register of Barcelona on the 4 March 2016 (the "Affected Shares").

For the record, the Affected Shares are part of the 7.028% of the share capital of CC owned by Nueva Samede 2016, S.L.U. (hereinafter, "Nueva Samede") which are attributed to I.Carso for the exclusive purposes of Article 5.1.d of the Royal Decree on takeover bids and over which I.Carso has no direct or indirect right of vote whatsoever.

In connection with the foregoing, on 22 July 2016, I.Carso moved to exercise its Purchase Option over the entirety of the Affected Shares with an effective date of 14 June 2016. However, the formalisation of the exercise of the Purchase Option was subject to the condition precedent that the following cumulatively occur: (i) authorisation by the Spanish National Securities Market Commission of the bid formulated by CE, approved on 29 June 2016, and (ii) the presence on FCC's Board of Directors of a majority of directors appointed by I.Carso and/or CEC or any company linked to I.Carso (the "Precedent Condition"), which was fulfilled with the appointments of Mr Miguel Martinez Parra, Mr Alfonso Salem Slim, Mr Antonio Gomez García and Mr Carlos Manuel Jarque Uribe on 28 June 2016. As of 22 July 2016, in accordance with that set out in paragraph two of the Article 36 of Royal Decree 1066/2007 of 27 July, the National Securities Market Commission reported through a Relevant Event that the takeover bid made by Control Empresarial de Capitales, S.A., de C.V. for 100% of the share capital of Fomento de Construcciones y Contratas, S.A. was accepted by a number of 97,211,135 shares, which represent 48.30% of the shares to which the bid was aimed and 25.66% of the share capital of Fomento de Construcciones y Contratas, S.A.

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	3

Number of beneficiaries	Description of the resolution
CEO (2 people)	(I) Previous CEO The company has set up a financial fund for his or her benefit that will compensate him or her for the extinguishment of his or her contract that has an annual allocation of 340,000 euros. If the contractual relationship is extinguished during the first three years of this contract (from 18/07/2015), for any reason except the senior executive stepping down, dismissal for objective reasons and disciplinary dismissal, respectively, the senior executive will accrue the amount in the Savings Fund as of the date of extinguishment of his or her contract. This payment will be of a compensatory nature. If his employment should be terminated after the first three years of the contract term (i.e., since 18 August 2015), on any grounds other than objective or disciplinary dismissal, he will accrue the right to receive such sum as on the effective date of termination may be held in the Savings Fund. This payment will be constitute a severance payment. As the CEO's employment was terminated in September 2017 when he resigned, the full sum of the fund has been recovered.

Number of beneficiaries	Description of the resolution
	(II) Current CEO Also in the case of the contractual relationship being terminated by the CEO on any of the following grounds: – Substantial changes to working conditions with a negative impact on his professional training, undermining his dignity or implemented by the company in serious contravention of the principles of good faith. – Failure to pay the remuneration contractually agreed for three consecutive months or six non-consecutive months. – Corporate succession or significant changes to the company's structure resulting in renewal of its governing bodies or the content of its core business, provided that termination occurs within three months following such changes. – Any other serious breach of the company's contractual undertakings, save in cases of force majeure, for which no compensation will be applicable. As in the case of free, unilateral withdrawal by the employer, he will be entitled to receive compensation resulting from the sum of the following two items: a) The sum resulting from the final settlement, dated 12 September 2017 (in accordance with the regulations applicable on that date), of the CEO's previous employment with FCC Construcción or any other FCC Group company. b) The sum resulting from multiplying 7 days' salary by the number of years elapsed between 12 September 2017 and the time of termination of the contract.

Number of beneficiaries	Description of the resolution
Company Secretary	With regard to the Company Secretary, executive Board member until 13 January 2015, the Company, with the authorisation of the Executive Committee, 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 extinguishment 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) 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 2017, the secretary general is entitled to a net amount equal to 3.5 times his or her 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	☒	

	YES	NO
Is the General Meeting informed of the clauses?	☒	

C.2 Board of Director Committees

C.2.1 Detail all the Board of Director Committees, their members and the proportion of executive, proprietary, independent and other external directors on these boards:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Current status
Alejandro Aboumrad González	Chairperson	Proprietary Director
Dominum Desga, S.A. (represented by Esther Alcocer Koplowitz)	Director	Proprietary Director
EAC Inversiones Corporativas, S.L. (represented by Alicia Alcocer Koplowitz)	Director	Proprietary Director
Gerardo Kuri Kaufmann	Director	Proprietary Director
Juan Rodríguez Torres	Director	Proprietary Director
Pablo Colio Abril	Director	Executive Director

Pct. of Executive Directors	16.66
Pct. of Proprietary Directors	83.33
Pct. of Independent Directors	0
Pct. of other External Directors	0

Explain the functions that his committee has, describe the procedures and its rules of organisation and functioning. Summarise the most important activities during the year.

Rules of the Board of Directors. Article 36. The Executive Committee.

Article 36. The Executive Committee 1. The Board may permanently delegate in the Executive Committee all the powers of the Board of Directors with the exception of those which are reserved by law, the bylaws or its these rules. Unless otherwise stipulated in the delegation of powers by the Board of Directors, the Executive Committee will have specific responsibility for deciding on investments, divestments, credits, loans, guarantee and surety facilities as well as other financial facilities for unit amounts not exceeding the figure that is established in Article 7.2.o). Also, in situations of emergency, the Executive Committee will exercise the following powers attributed to the Board of Directors, under Article 8 of these Rules. 2. The Board of Directors, based on a report by the Appointments and Remuneration Committee, will designate the directors to form part of the Executive Committee, ensuring as far as possible that its participation 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 Committee. 3. The Executive Committee will be composed of a minimum of four (4) and a maximum of ten (10) members. 4. The members of the Executive Committee will step down from the Committee when they cease to be directors or when decided by the Board. Any vacancies arising will be filled as quickly as possible by the Board of Directors. 5. The Chairperson of the Executive Committee will be appointed from among members of the Committee itself. If the Chairperson of the Executive Committee is absent, or if the position is vacant, the duties will be chaired by a Committee member chosen by majority vote of those in attendance. 6. The Executive Committee 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. The Executive Committee will be convened by the Chairperson, on his/her own initiative or upon the request of at least two

(2) Committee members. The notice will be sent by letter, telegram, e-mail or fax to each of the Committee members at least forty-eight (48) hours in advance of the meeting date, however it may be called with twenty-four (24) hours' notice of the date and time of the meeting for reasons of emergency, in which case the agenda for the meeting will be limited to the issues that caused such emergency. Along with the announcement of each meeting,

the members of the Executive Committee will be provided with the pertinent information they need to form an opinion and to vote. 8. In the absence of the Chairperson of the Executive Committee, or if the position becomes vacant, the Committee may be convened by the longest-standing member 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. The meetings shall be held at the Company's registered offices or any other location designated by the Chairperson and stated in the announcement. 10. The Executive Committee will be quorate when the majority of its members are present or represented at the meeting. Absent members can be represented by another member of the Executive Committee. However, non-executive directors can only be represented by other non-executive directors. 11. Discussions will be directed by the Chairperson, who will give the floor to the attendants wishing to speak. 12. Resolutions will be passed by absolute majority of the Committee members. If there is a tie, the matter will be submitted to the Board of Directors, for which purpose the members of the Executive Committee will request that a Board meeting be called according to the provisions in Article 34 of these Rules, unless a Board meeting has already been called for within the next thirty (30) calendar days, in which case the Chairperson of the Committee will ask the Chairperson of the Board to include the items involved in the tie on the Agenda for the meeting. 13. The Executive Committee, through its Chairperson, 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.

With regard to the most significant actions carried out by the Committee, a report was issued at the meeting held on 31 January 2018 on the committee's functioning and compliance with his duties in 2017.

In particular, the Executive Committee has the authority attributed under section 36.1 of the Rules of the Board of Directors to decide on matters of investment, disinvestment, credits, loans, deposits or guarantees or any other financing facilities, provided the unit price does not exceed the figure set in each case by the Board. The Executive Committee also oversees the application of the FCC Group's Corporate Responsibility Plan "" and during the year approved the new Master Plan for 2020.

In view of this, the Executive Committee can be said to responsibly assume and perform the duties and competencies delegated to it by the Board of Directors, diligently and effectively dealing with the Company's affairs that need constantly need to be addressed and monitored.

State whether the Delegated or Executive Committee's composition reflects the composition of the Board in terms of Director type:

Yes ☐ No ☒

If not, detail the composition of the Delegated or Executive Committee

See table above with the composition of the Executive Committee, where it is shown that all its members have the status of external proprietary directors except the Chair, who is the CEO.

AUDIT AND CONTROL COMMITTEE

Name	Position	Current status
Henri Proglio	Chairperson	Independent Director
Juan Rodriguez Torres	Director	Proprietary Director
Manuel Gil Madrigal	Director	Independent Director
Alvaro Vázquez de Lapuerta	Director	Independent Director

% of executive directors	0
Pct. of Proprietary Directors	25
Pct. of Independent Directors	75
Pct. of other External Directors	

Explain the functions that his Committee has, describe the procedures and its rules of organisation and functioning. Summarise the most important activities during the year.

Rules of the Board of Directors. Article 37. Audit and Control Committee

1. The Board of Directors of FCC will establish, on a permanent basis, an Audit and Control Committee, without executive functions and with powers of reporting, advising and making proposals within its scope of action, comprising a minimum of three (3) and a maximum of six (6) Directors designated by the Board of Directors having regard to their knowledge and experience of accounting, auditing or risk management; all of its members will be non-executive directors and the majority of them will be independent directors, and the Committee will appoint a Chairperson from among its independent members, and it may also appoint a Vice-Chairperson. 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. Subject to the foregoing, the term of office for the chairperson and vice-chairperson, as the case may be, cannot exceed four (4) years and the same applies to their mandate as members of the Committee, but they may be reappointed once a year has elapsed since their removal.
2. At least one of the members of the Audit and Control Committee shall be an Independent Director appointed on the basis of his/her knowledge and experience in accounting, auditing, or both. Collectively, the members of the Commission will have the relevant technical knowledge in relation to the Company's sector of activity.

3. The Audit and Control Committee will regulate its own functioning pursuant to the Corporate Bylaws and these Rules. The Committee members who have held the post of Chairperson may not be re-elected until at least one year has passed since stepping down as Chairperson. The Audit and Control Committee will designate a Secretary, and may also designate a Vice-Secretary, neither of whom need be a member of the Committee, to aid the Chairperson and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the business transacted, the deliberations and the resolutions adopted. The Secretary or the person standing in for him will draft the minutes of each Committee meeting, which will be signed by the Committee members in attendance.

4. The Audit and Control Committee will be quorate when a majority of its members are present or represented at the meeting; it will adopt decisions by absolute majority vote of those present or represented, and the Chairperson will have a casting vote in the case of a tie.

5. The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the external auditors, among others. 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 which fall within its scope of authority and, in particular, on the outcome of the audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in that process.

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, reappointment and removal of the external auditor in accordance with EU regulations 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, as well as ensuring its independence in the performance of its functions, 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, without compromising his or her independence; For this purpose, and if appropriate, the Audit and Control Committee may submit recommendations or proposals to the Board of Directors and the corresponding term for their follow-up. (iv) Establish the relevant relations with the external auditor to receive information on matters that may represent a threat to his or her independence for consideration by the Committee, and any other related to the process of conducting the audit and, where appropriate, the authorisation of services other than those prohibited, in the terms referred to in the statutory regulations on the activity of account auditing on the relationship to independence, as well as any other disclosures provided for in the legislation on account auditing and in auditing standards; (v) Ensuring the independence of the external auditor, establishing, in particular, suitable measures: 1) so that 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 receive annually from the auditor a written confirmation of its independence with respect to the Company or entities directly or indirectly related to it, as well as detailed, individualised information on any additional services of any type, and the corresponding fees, provided to those entities by the external auditor or by persons or entities related to the auditor, as set out in audit laws, and 2) so that 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 and in the case where the external Auditor resigns, the circumstances that led to this resignation; and (vi) 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 whether the independence of the account auditors or auditing companies have been compromised. In any event, that report must contain a realistic assessment of the provision of each and every one of the additional services referred to in section b) (iv) 1 above, considered individually and in the aggregate, other than legal auditing and in relation to the independence or auditing regulations and standards. d) Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and directly report to it 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 efficacy of the Company's internal control and the risk control and management policy approved by the Board of Directors, ensuring that the latter at least identifies: (i) The different types of risks that the Company faces, including, among others, financial and economic risks, contingent liabilities and other off-balance sheet risks; (ii) Establishing the risk level that the Company deems acceptable; (iii) The measures provided to mitigate the impact of the identified risks in the event they materialise; and (iv) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks. to the Board of Directors for their 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, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions: (i) 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 (ii) 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. g) With respect to internal control and reporting systems: (i) Supervising the process of preparing, and the integrity of the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria; (ii) reviewing internal control and risk management systems on a regular basis, including tax control systems, to ensure that the main risks are properly identified, managed and disclosed appropriately; (iii) Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the department's budget; receiving regular reports on its activities; and verifying that senior management are acting on the conclusions and recommendations of its reports. Receiving information from time to time from the Response Committee and the Risk Control and Management Department on the development of its activities and the functioning of internal controls; and (v) Ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the Company, and reviewing that the people subject to said codes and rules of governance comply with their reporting obligations to the Company. h) Issuing reports and proposals as requested by the Board of Directors or the Chairperson of the Board and those it deems appropriate for the best performance of its functions, particularly (i) the report on proposed amendments to these Board Rules, pursuant to the provisions in Article 4.3; (ii) deciding on requests for information presented by directors, pursuant to the provisions in Article 26.3 of these Rules, to the Committee; and (iii) requesting, as the case may be, the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in Article 34.3 of these Rules.

6. The Audit and Control Committee will have access to all the documentation and information needed to perform its functions and it may seek the advice of external professionals who, acting as advisors and numbering a maximum of two (2) for each member of the Committee, they deem convenient, in which case the provisions of Articles 27.3 and 35.4 of these Rules will apply. These advisors may attend and speak at the meetings but they may not vote.

7. The Audit and Control Committee will meet at least once per quarter and as convened by the Chairperson or when requested by two (2) Committee members. Each year, the Committee will draft an action plan for the year which it will submit to the Board of Directors, as well as a report on its activities during the year, which will serve as the basis for the evaluation to be conducted by the Board of Directors. In the absence or if attendance is impossible, of the Chairperson of the Audit and Control Committee or if that position is vacant, meetings may be convened by the longest-standing member of the Committee and, in the event of there being two or more members with the same seniority, by the one who is oldest. In the event of legal persons, the age of the individual representing them will be taken into account.

8. Discussions will be directed by the Chairperson, who will give the floor to the attendees wishing to speak. In the absence or if attendance is impossible of the Chairperson of the Audit and Control Committee, or if that position is vacant, the functions of Chair will be performed by the member chosen for this purpose by the majority of attendees.

9. Any member of the FCC Group's management team or personnel, and the Company's external auditors, will be obliged to attend meetings of the Committee when requested to do so, and must collaborate and provide the information at their disposal, as provided by Article 35.6 of these Rules where appropriate.

10. For anything not expressly regulated in this article in respect of the functioning of the Audit and Control Committee, the regulations of the Audit and Control Committee shall apply."

During the course and its performance of the competencies conferred under FCC's internal rules, in 2017 the Committee's duties in 2017 included the following:

- Acting as a communication channel between the Board of Directors and the Company's external auditors, evaluating the results of each audit and making recommendations to the Board of Directors for the selection, appointment, reappointment and removal of the external auditor in accordance with EU regulations and the terms and conditions of his or her engagement;
- Discussing with the external Auditors any significant weaknesses found in the internal control system as a result of the audits conducted, without compromising his or her independence. Receiving from the external auditor information on any matters that may represent a threat to his or her independence and, where appropriate, the authorisation of services other than those prohibited, in the terms referred to in the statutory regulations on the activity of account auditing on the independence status.
- Ensure the independence of the external auditor, establishing the corresponding measures for this.
- Informing the General Meeting of Shareholders on the questions raised which fall within its scope of authority and, in particular, on the outcome of the audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in that process.

– Issuing a report each year, prior to the publication of the audit report, expressing an opinion on whether the independence of the account auditors or auditing companies have been compromised. In any event, that report must contain a realistic assessment of the provision of each and every one of the additional services referred to in Article 37.5. section b) (v)1) of the Rules of the Board of Directors, considered individually and in the aggregate, other than legal auditing and in relation to the independence status or auditing regulations and standards.

– Supervising the Company's internal audit service, as well as its risk control and management policy, reviewing the identification of the most relevant risks and the adoption of the necessary measures to mitigate their impact.

– Supervising the preparation and presentation of the annual financial statements and management report, individual and consolidated and of the financial information released periodically to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of accounting principles.

– Issuing a favourable report on the process of drafting the individual and consolidated financial statements and management reports corresponding to the year 2016, and that they have been drafted complying with legal requirements and applying generally accepted accounting principles.

– Issuing a favourable report on the Corporate Governance Annual Report of 2016.

– Supervising the fulfilment by the Company of the internal codes of conduct and the rules of corporate governance.

– Issuing a favourable report on the appropriateness of the information included in the 'Interim Statement' on the first and third quarters of 2017, according to the provisions in Article 20.1 of Royal Decree 1362/2007, of 19 October, and the provisions implementing it, recommending that it be approved by the Board of Directors and sent to the CNMV and Securities Exchanges.

– Informing, in general, on the "Internal Communications Channel's communications" and the corresponding actions performed. An internal communication channel and procedure is in place to enable employees and third parties to make any queries and report any irregular conduct in confidence.

– Proposing to the FCC Board of Directors, to be submitted to the ordinary General Meeting of Shareholder, the appointment of Deloitte, S.L. as account auditors for FCC and the consolidated Group for 2018.

– Approving, pursuant to the provisions in Article 34.9 of the Rules of the Board of Directors, the self-assessment report on the performance of FCC's Audit and Control Committee during 2016 and present it to the Board of Directors.

– Issuing a favourable report on the appropriateness of the information included in the financial statements of the first semester of 2017 (Abbreviated financial statements and Interim Management Report), according to the provisions in Article 11 et seq. of Royal Decree 1362/2007, of 19 October, and the provisions implementing it.

Based on the above, it can be concluded that the Audit and Control Committee efficiently and diligently adheres to and complies with the competences conferred by the Company's various corporate documents.

Identify the Director who is a member of the Audit Committee who was appointed on the basis of his/her knowledge and experience in accounting, auditing, or both, and report how many years the Chairperson of this Committee has been in office.

Name of Director with experience	Manuel Gil Madrigal
Number of years of the Chairperson in office	3

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Position	Current status
Álvaro Vázquez de Lapuerta	Chairperson	Independent Director
Dominum Desga, S.A. represented by Esther Alcocer Koplowitz	Director	Proprietary Director
Juan Rodríguez Torres	Director	Proprietary Director
Manuel Gil Madrigal	Director	Independent Director

% of executive directors	0
Pct. of Proprietary Directors	50
Pct. of Independent Directors	50
Pct. of other External Directors	–

Explain the functions that his Committee has, describe the procedures and its rules of organisation and functioning. Summarise the most important activities during the year.

Rules of the Board of Directors. Article 38. Remuneration and Appointments Committee.

1. The Board of Directors of FCC shall permanently establish an Appointments and Remuneration Committee, without executive functions but with powers for informing, advising and proposing within its scope of action, it will be composed of a minimum of four (4) and a maximum of six (6) members appointed by the Board of Directors. Its members may only be non-executive directors, of which two (2) shall be independent directors and another two (2) proprietary directors. The Committee will appoint the Chairperson from among its independent members. The term of the members of the Appointments and Remuneration Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-elected indefinitely so long as they are also re-elected as directors.
2. The Appointments and Remuneration Committee will regulate its own functioning pursuant to the Corporate Bylaws and these Rules. The Committee will designate a Secretary, who need not be a member of the Committee, to aid the Chairperson and provide for the proper functioning of the Committee, duly reflecting in the meeting minutes, the development of the deliberations at meetings, the contents of the deliberations and the resolutions adopted; the minutes must be signed by the members of the Committee who attended the meeting in question. The members of the Appointments and Remuneration Committee will step down from the Committee when they step down as directors or when decided by the Board of Directors.
3. There shall be a quorum at the Appointments and Remuneration Committee meetings when the majority of its members are present or represented; its resolutions are to be passed by an absolute majority of the members present or represented and the Chairperson shall have a casting vote in the event of a tie.
4. The Appointments and Remuneration Committee will have the powers to inform, advise and propose within its areas of competence, and in addition to the duties established by law, by the bylaws and according to these Rules, the following functions: a) Evaluating the skills, knowledge and experience needed on the Board. For that purpose, it shall define the duties and capabilities required of the candidates to fill each vacancy, deciding the time and dedication necessary for them to properly perform their duties. Any Director may suggest candidates to the Appointments and Remuneration Committee to be considered to cover vacant positions. b) Examining or organising appropriately the succession of the Chairperson and Chief Executive and, as the case may be, making recommendations to the Board so that the handover proceeds in a planned and orderly manner. c) Submitting to the Board the proposals of appointment and re-election of independent directors so that they may be designated by co-optation or submitted to the decision of the General Meeting of Shareholders, as well as proposals for their re-election or removal by the General Meeting of Shareholders. d) Advising on proposals for the appointment and re-election of the rest of the directors so that they may be designated by co-optation or submitted to the decision of the General Meeting of Shareholders, as well as proposals for their re-election or removal by the General Meeting of Shareholders. e) Advising on the appointment and removal of senior executives and the basic terms of their contract, proposed to the Board by the chief executive, and proposing the candidates for senior executive positions in the Company, in addition to those envisaged in Article 2.2. of these Rules, and making the proposals for reprimands envisaged in Article 19.2.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 it shall be reported to the Board of Directors in each case. f) Proposing to the Board of Directors the remuneration policy for directors and senior executives or those performing senior management functions directly reporting to the Board, the Executive Committee or the CEO, as well as the remuneration of the executive directors and the other conditions of their contracts, overseeing compliance therewith. Also, advising and making proposals on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares. Also, making proposals to the Board of Directors on the distribution among its directors of the remuneration for Board members decided by the General Meeting of Shareholders, in accordance with the Bylaws and these Rules. g) Preparing and maintaining a record of the status of directors and senior executives of FCC. h) Assisting the Board in the function of overseeing that the procedures for the selection of its members favour the diversity of genders, experience and knowledge, ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and should disclose to the Board, as the case may be, through the Annual Corporate Governance Report, the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal. i) Advising on the proposed appointment of members of the Board of Director committees. j) Advising on the appointment and removal of the Secretary of the Board. k) Verifying the qualifications of the directors under Article 6.3. l) Informing the Board of Directors in advance of all the matters provided in the Law, the Bylaws and these Rules of the Board, particularly on transactions with related parties. m) Receiving and filing, in the record of situations referred to in item g) above and the personal information provided by directors, as established in Article 25 of these Rules. n) Requesting, as necessary, the inclusion of items on the agenda of Board meetings, under the conditions and by the deadlines established in Article 34.3 of these Rules. The Appointments and Remuneration Committee should consult with the Chairperson and Chief Executive, especially on matters relating to Executive Directors and Senior Executives.

5. The Appointments and Remuneration Committee will regulate its own functioning pursuant to the Bylaws and these Rules.

6. The Appointments and Remuneration Committee will have access to all 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 (2) advisors per Committee member, as required. Such advisors may attend meetings but not vote, and the provisions of Article 27 of these Rules will apply to them.

7. The Committee will meet as often as determined, at least once per quarter, and whenever convened by the Chairperson or requested by two Committee members. On a yearly basis, the Committee will draft an action plan for the coming year which it will submit to the Board of Directors as well as a report on the activities it has performed during the year, which will be used as the grounds for the assessment that the Board of Directors will carry out.

8. In the absence or if attendance is impossible of the Chairperson of the Appointments and Remuneration Committee, or if the position becomes vacant, the Committee may be convened by the longest-standing member 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 Chairperson, who will give the floor to the attendants wishing to speak.

10. In the absence or if attendance is impossible of the Chairperson of the Appointments and Remuneration Committee, or if the position becomes vacant, his/her functions will be performed by the member chosen for such purpose by a majority of those attending the meeting.

The Appointments and Remuneration Committee of Fomento de Construcciones y Contratas S.A. reported on its functioning and performance at a meeting held on 31 January 2018.

The Committee's assessment of its own functioning positive conclusions has enabled positive conclusions to be drawn, in terms not only of its composition and internal organisation but also of the exercise of the competencies assigned to it.

In 2017 the competencies exercised included the following:

– Assessing the competencies, knowledge and experience that the directors need to have, defining the roles and skills that any candidates to cover vacancies should possess and assessing the appropriate amount of time and degree of dedication necessary in order for them to properly fulfil their roles.

– Advising on the proposals for appointment and re-election of directors and members of the Board of Directors' Committees, as well as on the proposals of natural persons representing directors.

– Overseeing compliance with the remuneration policy established by the Group, proposing to the Board of Directors the remuneration policy for directors and senior executives, as well as the basic conditions of senior executive contracts.

– Approving the contents of the documents called 'The Appointments and Remuneration Committee's report on the Chairwoman of the Board of Directors and the Appointments and Remuneration Committee's report on the CEO, so that the Board of Directors may evaluate the performance of their functions during the year 2017, which is subject to the Board of Directors so that it may carry out the assessment mentioned in Article 34.9 of the Rules of the Board of Directors.

– Approving the report on the functioning of the Appointments and Remuneration Committee in 2017, as well as the report ratifying the current types of directors (proprietary, independents or executive).

– Reporting on senior-management appointments and other positions included within the top three levels, as well as any other employees earning €75,000 p.a. or more.

– Approving the Report on the remuneration of the Board as per the bylaws for the year 2017.

– Advising on the fundamental aspects of FCC Group's general wage policy for the year 2017.

– Proposing to the Board the remuneration policy for executive directors, the terms and conditions of the CEO's contract, and confirming the company's remuneration policy.

Thus, we may conclude that the Appointments and Remuneration Committee efficiently and diligently assumes and complies with the competencies assigned to it under the Company's various corporate documents.

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	FY t-1 % number	FY t-2 % number	FY t-3 % number
Executive Committee	33.33% (2)	40% (2)	50% (2)	50.00% (2)
Audit and Control Committee.	0% (0)	0% (0)	20% (1)	50% (2)
Appointments and Remunerations Committee	25% (1)	25% (1)	25% (1)	37.00% (3)

C.2.3 rticle revoked.

C.2.4 Article revoked.

C.2.5 Indicate, as the case may be, whether the Board Committees are regulated, where the regulations are available for consultation, and any amendments made during the year. Also, indicate if an annual report on each Committee's activities has been drafted voluntarily.

- FCC's Board of Directors rules (Chapter IX, Committees of the Board).
- Report issued by the Board of Directors at its meeting of 31 January 2018 on the quality and efficiency of its functioning and that of its Committees during the year 2017.

C.2.6 Article revoked.

D Related party and intra-group transactions

D.1 Explain, as the case may be, the procedure for approval of related party and intra-group transactions.

Procedure for informing on the approval of related-party transactions

Article 24 of the Rules of the FCC board states:

Transactions with significant shareholders

"1. The Board of Directors shall approve, on the basis of a prior report by the Appointments and Remuneration Committee, any transactions by the Company or companies in its group with shareholders who, individually or together with others, hold a significant stake, including shareholders represented on the Board of Directors of the Company or of other Group companies or with persons related to them or their directors. Directors who represent or who are related to affected shareholders must refrain from taking part in the discussions and voting on the resolution at issue. 2. Only transactions simultaneously meeting the three characteristics stated under section 6 of the preceding article, in respect of the transactions between the company and its directors or the persons related thereto, will be excepted from this approval requirement."

D.2 Describe those transactions that are significant due to the amount or subject-matter thereof between the company or group entities and the company's significant shareholders:

Name or company name of related significant shareholder	Name of group company or entity in its group	Nature of relationship	Type of transaction	Amount (thousand euros)
Realia Business, S.A.	FC y C. S.L.Unipersonal	Contractual	Technical support, consulting and marketing contracts for the housing development with 33 homes at A.R. Nuevo Tres Cantos	NA
Realia Business, S.A.	FC y C. S.L.Unipersonal	Contractual	Technical support, consulting and marketing of the housing development for 86 homes, garage spaces, storage rooms and common areas on plot 1-6.A at A.R. Nuevo Tres Cantos	NA
Grupo Financiero Inbursa	Fomento de Construcciones y Contratas, S.A.	Contractual	Factoring arrangement with assignment of credits without recourse.	130,000
Grupo Financiero Inbursa	FCC Construcción, S.A.	Contractual	Acquisition of purchase certificates for Panama Metro line 2.	347,745
Realia Business, S.A.	FC y C. S.L.Unipersonal	Contractual	Marketing/development contract for the Buenavista residential estate in Tres Cantos, phase II.	NA
Inversora Carso, S.A. de C.V.	Cementos Portland Valderrivas	Contractual	Interest accrued on subordinated loan.	2,316

D.3 Describe those transactions that are significant due to the amount or subject-matter thereof between the company or group entities and the 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)
(miles de euros)				
Alejandro Aboumrad González	FCC	Consejero	Prestación de servicios	338
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas	Consejero delegado	Prestación de servicios	175

D.4 Report the significant transactions made by the company with other entities belonging to the same group, provided they are not eliminated in the preparation of the consolidated accounts and they are not part of the ordinary course of business of the company as 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	Description of the 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.

Article 23 of the Rules of the Board of Directors states:

1. Within the scope of the duty of avoiding situations of conflicts of interest stated in section 2.e) of the preceding article, Directors must refrain from: a) Carrying out transactions with the Company or companies in its Group, unless they are ordinary transactions done on an arm's length basis and of low relevance, understanding as such those that do not need to be reported in order to give a true and fair view of the equity, financial position and profit or loss of the Company. b) Using the name of the Company or invoking their director status to unduly influence the performance of private transactions. c) Using corporate assets, including confidential information of the Company, for private purposes. d) Taking advantage of the Company's business opportunities. e) Obtaining benefits or remuneration from third parties outside the Company or its Group in connection with the performance of his/her office, except where those benefits are merely a matter of courtesy. f) Performing activities for their own account or on behalf of third parties which entail effective competition, whether actually or potentially, with the Company, or which in any other way may place them in a situation of permanent conflict of interests with the Company.
2. The above provisions shall also apply in the event the beneficiary of the prohibited acts or activities is a person related to the director.
3. In any event, directors must report to the Board of Directors, via the Corporate Responsibility Department or any other replacing it, with reasonable notice, any situation of direct or indirect conflict that they or the persons related to them might have with the interests of the Company or the companies included in FCC Group or its related companies.
4. The Company may dispense from the prohibitions included in this article in individual cases where it authorises the performance by a director or a related party of certain transactions with the Company, the use of certain corporate assets, the use of a specific business opportunity, or the obtainment of a benefit or remuneration from a third party.
5. The authorisation must necessarily be approved by the General Meeting when the object is the dispensation from the prohibition of obtaining a benefit or remuneration from third parties, when it affects a transaction whose value exceeds ten percent (10%) of the corporate assets or has to do with the obligation of not competing with the Company. In the latter case, dispensation will only be provided where no harm is expected for the Company or that which is expected is offset by the benefits that are due to be obtained from the dispensation, by way of an express, separate resolution of the General Meeting.
6. In all other cases affecting the prohibitions included in this article, the authorisation may also be granted by the Board of Directors, following a favourable report of the Appointments and Remuneration Committee, provided that there are guarantees as to the independence of the directors granting the authorisation from the director being dispensed or the affected related party. It will also be necessary to ensure that the authorised transaction is harmless for the corporate assets or, as the case may be, that it is done on an arm's length basis and that the process is transparent. The affected directors or those representing or related to the affected shareholders must refrain from taking part in the discussions and voting on the agreement in question. Only transactions that simultaneously meet the following three (3) characteristics will be excepted from the obligation of being authorised by the Board of Directors referred to in the preceding paragraph: a) They are governed by standard form agreements applied on an across-the-board basis to a large number of clients. b) They are performed at market prices or rates generally set by the person acting as supplier of the goods or services in question; and c) Their amount is no more than 1% of the company's annual revenues.
7. In any event, situations of conflict of interest between Directors shall be included in the Annual Corporate Governance Report according to the terms established by law.
8. For the purpose of the provision herein, related parties will be deemed to be those included in the Capital Companies Act.

D.7 Is more than one Group company listed in Spain?

Yes ☐ No ☒

Identify the subsidiaries that are listed in Spain:

Listed subsidiaries
–

Note:

From 24 February 2017, Cementos Portland Valderrivas was definitively excluded from the stock exchange.

Has a public definition been established describing precisely the respective business areas and business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies?

Yes ☐ No ☐

Define any business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms for resolving conflicts of interest

E Risk control systems

E.1 Explain the scope of the Company's Risk Management System, including those of a fiscal nature.

The FCC Group has a risk-management policy and system approved by the Board of Directors, designed to identify and assess potential risks that could affect business and build mechanisms into the organisation's processes to enable risks to be managed within acceptable levels, giving the FCC Board of Directors and management a reasonable degree of assurance that targets can be met.

Risk management at FCC is governed, among other principles, by integrating the risk/opportunity vision and allocating responsibilities to, which, together with segregating duties, fosters effective monitoring and control of risks, consolidating an appropriate control environment.

The scope of application established under the risk-management policy and system of the FCC Group covers all the member companies, as well as affiliates where FCC has effective control and companies newly taken over as soon as the acquisition is effective. It also covers employees of the FCC Group who are attached to consortia, JVs and mixed companies.

The activities that fall within the scope of the FCC Group's risk-management system include risk assessment (including tax risks) in terms of impact and likelihood of occurring, resulting in risk maps by unit or role and a risk consolidated risk map for the group as a whole, subsequently devising prevention and control actions to mitigate the effect of the risks identified. The system also establishes reporting flows and communication mechanisms at different levels to facilitate continuous review and improvement.

E.2 Identify the company bodies in charge of drawing up and executing the Risk Management System, including fiscal risks:

As defined in the rules of FCC's Board of Directors, the entire Board has to approve the Company's Risk Control and Management Policy, identifying the risks that are considered to be main ones by the Company and implementing and following-up the internal control systems and suitable information systems, aimed at ensuring their future viability and competitiveness, adopting the most relevant decisions to implement them in the best possible manner.

In addition, the Audit and Control Commission is empowered to supervise and analyse a Risk Control and Management Policy which identifies:

- The different types of risks that the Company faces, including, among the financial and economic risks, contingent liabilities and other off-balance sheet risks.
- Establishing the risk level that the Company deems acceptable.
- The measures provided to mitigate the impact of the identified risks in the event they materialise;
- The reporting systems that will be used to control and manage said risks, including contingent liabilities and off-balance sheet risks, submitting them to the Board of Directors for their approval.

The risk-management policy is based on the existence of three levels of risk management. The first two of these levels covers the business unit, whereas the third is for the corporate divisions.

The first level of risk management and internal control is in the operating lines of the business units, which act as the risk takers and are responsible for managing, tracking and reporting on the risk generated, including tax risk.

The second level is made up of support, control and supervision teams who oversee the effective and appropriate control of risk, including tax risks. FCC Construcción has a Risks and Compliance Committee, whose duties under the risk-management policy include implementing the system, assuring adequate compliance of the risk-management processes defined and developing sufficient control environments to mitigate and maintain risks within acceptable levels.

The third level consists of the corporate staff reporting to senior management (corporate departments), and finally the Internal Auditing, Risk Management and Compliance staff, who report to the Auditing and Control Committee. Specifically, Risk Management is responsible for coordinating, supervising and monitoring the organisation's process for risk management and control. This third level also includes the tax division, which defines tax-related policies, procedures and criteria that are applicable to the FCC Group as a whole.

The Response Committee is responsible for overseeing the proper functioning of the reporting channel and assessing any possible improvements that could be made to the controls and systems in place within the company, being able to recommend corrective actions whenever they are considered necessary.

E.3 Point out the main risks, including fiscal risks, that may affect the achieving the business objectives.

The risk scenarios considered have been classified on a master transversal risk chart into five groups: strategic, operational, compliance, financial and reporting.

Strategic risks

Business opportunities lost for geopolitical reasons.

Certain policies and decisions of a geopolitical nature in the countries where FCC operates or potentially may operate could result in business opportunities being lost.

Changes in a country's political and socio-economic circumstances.

Changes in the political and socio-economic circumstances in countries where FCC Group operates, or could operate, could give rise to situations such as: a high level of economic interventionism by national/regional governments, fluctuations in local economic growth, political and social, legal, regulatory and macroeconomic instability or potential local conflict, which could negatively impact FCC Group.

Changes in development models and management for environmental services, full water cycle and infrastructure.

Sweeping changes in the model for the development and management of environmental services and the full water cycle by public authorities could mean a loss of business opportunities. Also, the different contractual modalities for infrastructure management and payment based on availability could mean the relevant financing must be sought and increase uncertainty.

Loss of market share.

FCC Group develops its activities in competitive markets. In seeking new business and in businesses where it already operates, FCC Group competes with large groups. Any possible difficulty in developing competitive bids with profitability could cause a loss of market share.

Cuts in forecasts for investment and demand.

Changing investment forecasts for both private and public clients could have different kinds of negative impact on the FCC Group. Economic or political uncertainty in certain markets where FCC operates could cause the income obtained by public entities to fall, which in turn could mean a reduction in public spending in certain business areas, including concession, infrastructure and services projects that the FCC Group operates.

Moreover, the profitability of the Environmental Services and Water Business Areas generally depends on the level of demand, which is subject to changes as a result of market conditions outside FCC Group's control and outside its capacity to control operative costs and efficiency.

Delays in the new contracts that are scheduled in Spain.

As a result of the possible slowing-down of Spain's economic recovery, mostly owing to the continuing political instability, FCC Group could be affected by the delay in or withdrawal from potential projects by clients in both the public and private sectors. Also, for services provided in which the assets 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 suitable maintenance and renewal of the facilities.

Impairment of reputational image.

FCC Group may find itself involved in certain actions, use of its image, damage by negative external publicity and public opinion against the company which could negatively impact its reputational image and, therefore, its business. It may also face a gap in perception between internal and external public. Managing reputation in order to protect the company brand is done by FCC Group's Corporate Marketing and Brand Department.

Operational risk.

Uncertainty and volatility of raw materials, energy and outsourced services.

In the course of its business, FCC Group consumes significant amounts of raw materials and energy, and works with numerous subcontractors and industries. Changing economicconditions and uncertainty in general could cause price oscillations that would cause FCC Group's profits to be affected.

Municipalisation of the management of services currently provided by FCC Group.

Certain services provided by the FCC Group could be affected by decisions made by current or future local authorities. In certain cases, these decisions could result in municipalisation. In particular, for the FCC Group municipalisation could affect the Environmental Services and Water divisions, with a consequent negative impact on present and future results and orders.

Catastrophic events.

The complexity of certain environments where FCC Group does business increases exposure to the risk of experiencing unexpected events that may cause damage to persons, property or the environment, including natural disasters and acts of a terrorist or criminal nature.

Information Security.

Criminal cyberattacks which, whether targeted directly at the company or otherwise, could affect its assets and hinder operations for a lengthy period of time. The FCC Group as an operational unit whose role is to prevent, detect, analyse and mitigate factors related to security events, such as hacking, attacks, etc.

Rescheduling of projects.

Political or economic/financial instability in certain markets where the FCC Group operates, and other operating circumstances beyond FCC's control, such as a lack of available land for infrastructure projects, could cause some projects in progress to be rescheduled, impacting on their results.

Lack of an assured water supply.

The growing drought problems in Spain could affect normal water supplies, impacting on FCC's business related to the full water cycle.

Risks arising from relations with third parties.

FCC Group could develop its business activities jointly with public authorities or private entities through different forms of association (companies, consortia, economic interest groups, joint ventures or similar entities). Participants in these entities share the operating, economic and financial risks associated to certain projects or activities. 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, which could negatively affect its performance and, therefore, FCC Group.

Early termination or unilateral modification of the contract.

Public administrations could 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. Regardless of the nature and the amount of the compensation owed to FCC Group by virtue of a concession/construction work agreement terminated by the corresponding client, FCC Group might need to resort to legal action or arbitration proceedings to collect it, which would increase its expenses and delay receiving the amounts of compensations.

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. If FCC Group were to lose a substantial part of its key personnel, which is unlikely, they could be difficult to replace, which would make it more complicated o successfully manage its businesses.

Labour Conflicts.

Some of the FCC Group's activities are highly labour-intensive and show a high degree of geographical diversity (with different employment laws), and for various reasons this could harm both the company's production capacity and its reputation.

Health and safety risks.

A priority goal for the FCC Group is to act with a high level of occupational health and safety (OHS) for all personnel, while strictly complying with the relevant legislation, as can be seen from the OHS policy approved by the Board of Directors. Even so, the FCC Group could on occasion be affected by incidents or accidents at its sites, facilities or during the course of providing its services, which in turn could harm and hinder operations.

Environmental risks.

FCC's environmental commitment is set out in the Group's environmental policy approved by the Board of Directors. The Group has implemented environmental-management systems for its projects and contracts, all audited and certified under the standard UNE-EN-ISO 14001. Nevertheless, owing to the nature of the group's business, certain circumstances may arise that cause damage in the form of spills, emissions, etc. with an impact on the progress of projects and contracts.

Compliance risk.

Litigation.

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. Any court decision or arbitration award that varies from FCC's own legal interpretation could have an impact on results and lead to changes to how services or projects are managed.

Difficulties adapting to legislative, regulatory or rule changes

During the course of its operations the FCC Group must respect the applicable law, rules and regulations, which vary from one jurisdiction to the next and even between local authorities, and all of them are subject to changes. A change to the legal framework could result in changes to the FCC Group's operating conditions, in some cases potentially affecting the group's results and financial position.

Breach of the 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 all the individuals in the Group must comply with it. Non-compliance with the Code of Ethics may cause serious damage to FCC Group, including deterioration of its image and reputational damage.

Quality of service: the risk of non-quality.

The FCC Group has quality-assurance systems firmly in place within the organisation. These systems are audited and certified by accredited entities under the standard UNE-EN ISO 9001 for all significant activities. Any breach of quality-related contractual requirements could have an impact on results because of penalties and extra costs, as well as potential impact on the FCC Group's reputation.

Financial risks.

FCC Group's level of indebtedness could adversely affect its financial and operational situations.

FCC Group's level of indebtedness arises primarily from its financing agreements. These contracts contain financial ratios and other restrictive agreements that limit its capacity to carry out activities that may be in its long-term interest, or to invest in new projects. Nevertheless, in 2017 the process of restructuring much of the FCC Group's financial debt was completed successfully and its volume has been reduced significantly.

Liquidity Risk.

The liquidity risk is mostly associated with receivables and related to the group's exposure to its clients' credit risks. The Group monitors its credit arrangements and the financing of each of the companies with a view to mitigating this risk.

Late payments by certain public and private clients for services rendered and works completed.

FCC's capacity to make payments is related to its clients' payment capacity. In this regard, serious delays in payment by some public and private clients could cause insufficient receipts to be secured to be able to make payments due.

Constraints on access to financial markets.

Considering the markets where the FCC operates, there could be some difficulty obtaining or renewing financing to carry out projects because of those markets' liquidity limitations, the demands or guarantees required by banks or official financing entities, and the viability of the economic models that justify the return of funds. All this could affect the normal course of business and cause business opportunities to be lost.

Impairment of goodwill.

The balance sheet FCC Group shows goodwill for a significant sum. FCC cannot guarantee that the group will not suffer losses or adjustments because of its impairment or that of the Group's other tangible assets, which were it to occur could significantly affect the FCC Group's economic results.

Fluctuating exchange rates.

One relevant consequence of the FCC Group's positioning in international markets has been the exposure that arises out of net foreign-currency positions against the euro or the dollar or of one currency against another when the investment and financing for any given activity cannot be carried out in a the same currency. The exchange-rate risk mostly applies to debt expressed in foreign currency, investment in international markets and receipts materialised in currencies other than the euro.

Fluctuating interest rates.

The FCC Group is exposed to the risk derived from variations in interest rates because the Group's financial policy aims to optimise the exposure of its current financial assets and debt by partially linking them to variable interest rates. Any increase in interest rates could cause the FCC Group's financial costs related to its debt linked to variable interest rates, and could also lead to increases in the costs of financing the group's debt and the costs of issuing new debt.

E.4 Identify whether the company has a risk tolerance level, including tax risks.

According to the Risk Management Policy, the level of tolerance to risk that assumed by FCC Group will be unique to a given moment and dynamic in time, and will vary based on internal and/or external factors. It must be approved by the Board of Directors and be aligned with the strategy.

The elements that must define risk appetite at FCC Group are as follows:

- A general moderate-to-low, predictable general flow, based on a diversified business model.
- A stable, recurring profit-generating policy.
- A separate risk-management role and intense involvement by senior management to assure a risk-management culture focused on protecting and assuring the appropriate capital profitability.
- A management model that assures a global, interrelated view of all risks by means of a robust risk-control environment, with responsibilities at different levels.
- Doing business according to a model of behaviour that protect the interests of clients and shareholders.
- Appropriate availability of resources, systems and tools to strengthen the maintenance of a risk profile that is compatible with the established risk appetite at both the corporate and business levels.
- Zero tolerance for the risk of breaking the law.

E.5 State what risks, including tax risks, materialised during the year.

Strategic risks.

- Changes in political and socioeconomic circumstances in countries or regions.

  Political and socioeconomic changes in certain markets, both stable and unstable, where FCC operates have affected the Group's business. Under these circumstances, in recent years the FCC Group has been rolling out a root and branch strategic, operational and financial reorganisation in the markets where this risk has materialised with a view to mitigating it. The group's presence abroad is being selectively stepped up, adding new contracts, while focusing on a select few geographical areas and profitable projects and services. In this way, whenever a new project opportunity arises, multidisciplinary teams are set up to study the suitability of the bid from a strategic, technical, economic/financial and legal point of view. With regard to Brexit, the FCC Group is closely following the progress of the negotiations between the UK and the EU, driving measures for operational efficiency in the different areas of business with a view to adapting to the new market circumstances.

- Loss of market share.

  Fierce competition in the markets where the group operates and the application of tendering policies based on lower risk exposure and higher profitability have affected market share in certain business areas. To mitigate this risk, cost studies are carried out for tenders to enable competitive, profitable proposals to be drawn up during the bidding stage, with a view to increasing penetration in the markets where the group operates.

- Low level of investment.

  By maintaining a low level of investment when building infrastructure and providing services in certain markets where the FCC Group operates, mostly because of political and economic uncertainty, the group has been able to selectively increase its presence abroad, focusing on a select few geographical areas and prioritising profitability.

- Delay in new contracts expected in Spain.

  Some circumstances that have affected the domestic market, largely related to the continuing political instability, have caused tender processes to be held up, delays in the provision of some services already won or to extensions to ones already under way, requiring forecasts to be adjusted. To mitigate the impact of these delays, the FCC Group carries out intensive analysis of the various public authorities it deals with, individually monitoring and studying contracts affected by extensions, making any adjustments to forecasts as necessary.

Operating risks.

- Rescheduling of projects.

  Political or economic/financial instability in certain markets where the FCC Group operates, and other operating circumstances beyond FCC's control, such as a lack of available land for infrastructure projects, could cause some projects in progress to be rescheduled, impacting on their results. In view of this situation, the FCC Group has launched several initiatives, such as including contractual clauses to enable costs caused by such rescheduling to be charged back, actions to optimise costs at all facilities and so be able, by making major efforts, to adapt to the new deadlines undertaken, relocating personnel from rescheduled projects to others that are under way, as well as intensive liaison with client to seek satisfactory solutions for both parties.

- Industrial disputes.

  The Environmental Services division is labour-intensive. Strike action has caused some stoppages with the consequent economic and reputational impact. For this reason the appropriate industrial-relations communication and monitoring channels with workers and their representatives are being strengthened.

Compliance risk.

- Litigation.

The FCC is a party in civil, criminal, arbitration, administrative, regulatory and similar proceedings that arise in the ordinary course of its business. With a view to mitigating this risk, provisions are made (whenever a negative outcome is considered likely), so no major impact on the group's assets is expected. During the last year FCC's Legal Services Model was approved, establishing the principles that govern its actions, which include: structure and duties, identification and control of the legal risk of the company and its business, the action unit, efficiency and control of expenditure, and coordination and quality control of Legal Services.

Financial risks.

- Liquidity risk owing to late payment by certain public and private clients.

Issues with late payment by public and private clients have caused delays in receipts for services rendered and works completed. The requirements under the Public Sector Trade Debt Act for invoices to be paid by stipulated deadlines has enabled the effect of this risk to be reduced. However, late payments for works completed and certified do still persist, giving rise to extra financial costs. For these reasons the procedures for monitoring and controlling clients' debts are being maintained. Similarly, commercial relations with clients are being intensified with a view to settling outstanding payments, including taking legal action when necessary.

- Exchange rate.

One consequence of the FCC Group's positioning in international markets has been the exposure that arises out of net foreign-currency positions against the euro or the dollar or of one currency against another when the investment and financing for any given activity cannot be carried out in a the same currency. The FCC Group also has certain financial assets and liabilities accounted for in non-euro currencies. The exchange-rate risk mostly applies to debt expressed in foreign currency, investment in international markets and receipts materialised in currencies other than the euro.

Over the last year foreign-currency volatility has continued in the UK — mostly because of the uncertainty over Brexit — and in the United States. This volatility has caused the dollar to depreciate by 12% and the pound sterling by nearly 4% against the euro between 31 December 2016 and 31 December 2017.

The FCC Group's general policy, whenever possible, is to reduce the negative impact of foreign currencies on its financial statements, in terms of both transactional and purely equity-related movements. For this reason, the FCC Group manages the exchange rate risk that could affect both its balance sheet and profit and loss account by means of natural cover, whenever possible, or by contracting different kinds of financial instruments. Nevertheless, any major fluctuations in the value of these currencies against the euro will have an impact on the business, finances and results of the FCC Group.

E.6 Explain the response and monitoring plans for the company's main risks, including tax risks.

The risk-management policy and system approved by the Board of Directors of the FCC Group establish an overall framework for identifying, valuing and managing risks at all levels of the organisation.

Once risks have been identified and prioritised, the risk-management system calls for control mechanisms to be established through risk and control matrices, which are used, together with key controls to prevent and mitigate risks, to determine who is to be in charge of the relevant control activities. For any risks that exceed the accepted risk level, the risk-management system calls for management to prepare specific action plans, designed taking into consideration their operational viability, any impact, and the cost-benefit ratio involved in implementing them. Finally, the business divisions work with the risk-management unit to supervise the model as a whole.

With regard to compliance risks, the FCC Group has a compliance policy and system in place, designed to foster the compliance culture and allocate responsibilities across all levels of the organisation. With regard to regulatory compliance risks and compliance with contractual requirements, FCC's business units have a quality-assurance system in accordance with international standards. As an example, specific plans are in place, such as the Construction Division's Special Plan for Handling Accident Risks, which sets out a set of measures to be applied on sites where serious accidents could occur with significant social impact, and those where the company could suffer major financial losses owing to faults in the project design, performance or management of the contract. This plan is reviewed on a regular basis. FCC also has a certified OHS-management system in place for its business divisions.

In response to environmental risks and risks to comply with environmental regulations, all business units also have an environmental management system in accordance with international standards and, specifically, some of these units are participants in the European Commission's Eco-Management and Audit Scheme.

Financial risks are controlled by specialist departments at the business units, together with the Administration and Finance department. Their duties include decision-making on mechanisms for transferring risks (insurance) and managing equity risks.

To address risks related to information security, the FCC Group has an information-security management system designed in accordance with international standards, with third-party certification in certain business divisions.

The strategic action plans undertaken in 2017 included the successful conclusion of the process to renew much of the Group's financial debt, strengthening international expansion plans, and leveraging synergies between the activities of the different business areas.

Specifically the international-expansion plans of FCC Medio Ambiente and FCC Aqualia, as a strategy to diversify regional risks, have resulted in several contracts being won in the UK, Egypt, Czech Republic, Austria, Romania and the United States. FCC Construcción has developed a plan for selecting major international projects of interest for the Group, such as the building of the new Mexico City airport terminal, the refurbishment of three new railway sections in Romania, the extension of section I of the Inter-American highway in Panama, and the project to improve the Los Chinamos-El Ayote road in Nicaragua.

The plan to reduce competitiveness risks and increase the level of innovation has allowed FCC to garner several achievements in 2017, both in Spain and abroad, including winning the ENR Global Best Projects award, the ACHE prize in the bridges category, and the Gustav Lindenthal medal (all for the Almonte viaduct in Spain), the New Civil Engineer Tunnelling award (for the Bolaños tunnels works, also in Spain), the CEMEX award for technological innovation (for the Cañas-Liberia road in Costa Rica), ISO 14001 certification for environmental management (Caltaqua), the award given to FCC Environmental Services for the best recycling plant in the USA (Dallas, Texas), and the commissioning of the first 100% high-tonnage vehicle for the maintenance and cleaning of sewerage networks.

F internal control and risk management systems in relation to the financial reporting process (FRICS)

Describe the mechanisms in the control and risk management systems in relation to the financial reporting process (FRICS) at your company.

F.1 The Company's control environment.

Disclose, identifying the main characteristics, of at least:

F.1.1. The agencies and/or functions responsible for: (i) the existence and maintenance of an adequate and effective FRICS system; (ii) the implementation thereof; and (iii) supervision thereof.

The Financial Reporting Internal Control System (hereinafter FRICS) must provide to the Audit and Control Committee and to senior management, with reasonable security as to the reliability of the financial reports submitted to the Board for approval, which is publicly disclosed from time to time to the regulators and the market.

The FCC Group bodies and functions that are responsible for the existence, maintenance, implementation and supervision of a suitable and effective FRICS, and the responsibilities attributed to these agencies, are the following:

Board of Directors.

Section 8 of the Rules of the Board of Directors of FCC S.A., the latest amendment of which was approved on 28 July 2016 defines the Board's role, including:

- Ultimate responsibility for approving the company's general policies and strategies and, in particular, the risk control and management policy, including tax risks, identifying the company's main risks and implementing and monitoring the appropriate internal control and information systems, with a view to assuring their future viability and competitiveness, taking the most relevant decisions for their optimal development, as well as supervising in-house information and control systems.
- Determining policies for informing and communicating with shareholders, the markets and public opinion, assuring the quality of the information supplied, approving the financial statements that the company, as a quoted entity, must publish on a regular basis.

Audit and Control Committee.

In Article 37, FCC S.A.'s Rules of the Board of Directors provides that FCC Group's Board of Directors will create a permanent Audit and Control Committee without executive functions and with the powers of information, advice and proposal within its scope of action. In 2017, the Auditing and Control Committee was made up of four directors and a non-executive secretary, remaining unchanged since the previous year. The committee met on eight occasions.

Information and internal-control systems fall within the remit of the Auditing and Control Committee:

- The regular review of, among others, the process for preparing the financial information, the internal controls and the independence of the external auditors.
- Supervising the Company's internal audits that overseeing the good functioning 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.

- Supervising and analysing the efficacy of the Company's internal control and the Risk Control and Management policy approved by the Board of Directors, ensuring that the latter at least identifies:
  - The different types of risks that the Company faces, including, among the financial and economic risks, contingent liabilities and other off-balance sheet risks;
  - Establishing the risk level that the Company deems acceptable.
  - The measures provided to mitigate the impact of the identified risks in the event they materialise;
  - The internal information and control systems to be used to control and manage those risks, including contingent liabilities or off-book risks.
- 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;
- Supervising the process of preparing and submitting 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, reporting to the Board of Directors on the financial information that the Company, owing to its listed status, must disclose publicly 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.

Senior Management.

The senior management of each of the units is ultimately responsible for implementing the risk-management and internal control system, contributing towards the development of an appropriate system for internal control of financial reporting.

Management Committees.

Each of the business units has its own management committee or a body with similar functions, which include assuring effective, efficient control of risks on a permanent basis, including those associated with financial reporting.

General Administration and Finance Department.

The Administration and Finance Department is made up of the administration, IT Systems, HR Coordination Development, Procurement and Finance units, with the latter in turn covering Markets and Management Control, Communication, Corporate Marketing and Branding.

The Administration unit runs the administrative management of the FCC Group. Its duties regarding information systems and internal control include the following:

- General accounting.
- Accounting standards.
- Consolidation.
- Tax advice.
- Taxation procedures.
- Tax compliance.
- Administrative procedures.

The Finances area is entrusted with the centralised management of the finances of FCC Group. With respect to Information Systems and Internal Control, its goal is, and it will act in:

- Financing of the Group's activities.
- Management of the Group's debt and financial risks.
- Optimization of cash flow and financial assets.
- Management and financial control of the Group.
- Management of markets and Spain's Security Market Commission (CNMV).
- Investment analysis and financing.
- Management, monitoring and control of sureties and guarantees.
- Insurance and management of industrial and equity risks.
- Management Control.

The FCC Group's IT Systems unit assures the appropriate technological support for the group's management processes, optimising the management of the necessary resources and service levels for users, assuring the confidentiality and security of the information systems. Depending on this unit is the FCC Group's Information Security and Technological Risk Management department, which develops and implements internal control policies and procedures for information systems, including those that house processes for preparing and publishing financial reports.

General Internal Auditing, Risk Management and Compliance.

Its purpose is to provide the Board of Directors, via the Auditing and Control Committee, and the FCC Group's senior management with support for their responsibilities to supervise the internal control system by exercising a function of single, independent governance aligned with professional standards, to contribute towards good corporate governance, verify due compliance with the applicable rules and regulations, both internal and external, and reduce to reasonable levels any impact of risks on the FCC Group's achievement of its objectives.

The Internal Auditing, Risk Management and Compliance department is structured into two separate sections, whose most significant responsibilities in terms of systems for the control of financial reporting are:

- The Internal Auditing section supports the Auditing and Control Committee in its supervision of the process of preparing and presenting financial reporting and other information conveyed to third parties, as well as contributing towards the development of internal control by supervising the policies, standards, procedures and activities that make up the control system put in place by the group to assure the appropriate management and reduction of risks.
- The Risk Management and Compliance section drives the establishment of a compliance system for internal control together with an architecture of responsibilities and integrated with a homogeneous risk-management model, thereby making it feasible for the risk level accepted by the Board of Directors to be maintained. Its responsibilities also include driving and coordinating the integration of the criminal-law-compliance model into the Group's compliance model by developing internal control that focuses on controls and preventive actions and establishing a structure of responsibilities to minimise the body corporate's criminal liability.

F.1.2. State whether any of the following elements exist, in particular in relation to the process of preparing financial reports:

- The departments and/or mechanisms are in charge of: (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.

In accordance with the Rules of the Board of Directors, the remit of the Appointments and Remuneration Committee includes examining and organising the succession of the chairman and the CEO and making proposals to the Board for any succession to take place in a straightforward, properly planned way. Its duties also include reporting on proposals for the appointment and dismissal of senior managers made to the Board by the CEO and the basic conditions of their employment contracts. Under the Board Rules, the company's senior managers are those who report directly to the Board or to the CEO, and in any case the internal auditor. Senior management also includes those who, although not strictly in positions other than those described, are declared to be senior managers by the Board of Directors, pursuant to a favourable report by the Appointments and Remuneration Committee.

The CEO, who is appointed by the Board, is ultimately responsible for the design and review of the organisational structure and defining areas of responsibility and authority. Each corporate or business department defines its own organisational structure and its managers' areas of responsibility.

The process for determining the organisational structure is governed by section 10 of the group's General Standards Manual, which regulates the bodies that report directly to the Board of Directors, the distribution duties among the Group's senior managers and their appointment.

The top-level organisational structure is published on the corporate intranet. On a regular basis, the various business units internally publish their own organisational structures and those associated with specific projects and contracts.

In addition, the compliance policy sets out the specific responsibilities in the internal control system for financial reporting (SCIIF), including the assumption by the General Administration department of top-level executive duties for the management of the SCIIF, performing control tasks related to the consolidation sub-process and the standardisation of processes related to the preparation of information. The Risks and Compliance section's duties include providing methodological support for the identification and assessment of risks in the process of preparing financial reporting and in respect of the identification of controls, while also contributing in towards analysis of the robustness of the control environment. Finally, the Internal Auditing section reviews the financial information that is regularly released to the markets.

- Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating whether it makes specific references to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary actions.

According to the Rules of the Board of Directors, a full Board meeting is needed to approve FCC's Internal Rules or Codes of Conduct. Also in accordance with the aforementioned rules, the Audit and Control Committee is also empowered to ensure that the Internal Codes of Conduct and Rules of Corporative Governance meet regulatory requirements and are appropriate for the Company, as well as to review compliance by persons affected by these codes and governance rules with their obligations to communicate with the Company.

The FCC Group has its own Code of Ethics, first approved in 2008 and subsequently revised twice, as a cornerstone of the compliance model. It is a key tool for guiding actions in different ambits, including relations with and between employees, internal control and prevention of fraud, undertakings made towards the market, the company, the community, etc. The code is published on the corporate intranet and also on the Group's website, where it can be accessed by anyone. All FCC Group employees are obliged to enforce and use the channels that the company makes available to report any practices contravening the code and the standards on which it is based that may become aware of.

Among the principle and values included in the Code are: regulatory compliance and respect for ethical values, respect for people, equal opportunities and non-discrimination, people's health and safety, internal control and fraud prevention, respect for free competition, political neutrality, respect for the environment and social commitment, among others.

With regard to the recording of operations and preparation of financial reporting, the current Code of Ethics, under its "Handling Information" section, specifies the following: "The falsification, manipulation or deliberate use of false information is fraud. As a principle of conduct, FCC Group undertakes to provide transparency of information, understood as the commitment to convey reliable information to the markets and to society that will allow them to have a true and fair view of the Group's activities, strategy and economic, social and environmental performance. Employees must convey this information in a truthful, comprehensive and understandable manner. In no event will they knowingly provide incorrect, inaccurate or imprecise information that may mislead the recipient of the information".

The company has established a procedure to allow its employees to communicate confidentially any irregularities or improper practices observed, reporting them to the Response Committee to be investigated. This committee operates as a joint body composed of the Internal Auditing, Risk Management and Compliance Director, the Legal Director, the HR Coordination and Development Director, and the Corporate Responsibility Director. Its duties, which includes making recommendations to improve internal controls, are set out in the Crime Prevention and Response Manual.

Responsibilities for training in and disseminating the Code of Ethics are in tune with the development of a culture of compliance within the FCC Group, so the compliance section, together with the business-unit departments, supported by the HR, Corporate Responsibility, Communication, Corporate Marketing and Branding sections, press for the inclusion of compliance-related content in training plans, so that they are steadily disseminated across all levels of the organisation.

- 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.

The FCC Group has an internal-communication procedure to enable employees to confidentially make queries and report any irregularities, whether they are criminal offences or otherwise, related to the Code of Ethics.

Communications can be done three ways:

- Via the corporate intranet.
- By writing to an email address that can be accessed only by the Response Committee.
- By writing to a P.O. box number managed by the chair of the Response Committee.

The procedure and functioning of the internal communication channel are described in the Code of Ethics, which specifies that all FCC Group employees and those of any other companies over which the group has management control are obliged to report any breaches or infringements of the conduct set out in the document.

- Training and periodical refresher programs for the personnel involved in the preparation and review of financial reports, and in the evaluation of the FRICS, covering at least accounting standards, auditing, internal control and risk management.

The FCC Group's Transversal Training Plan for 2017 included training actions related to the preparation and supervision of financial reporting and risk management, including the following: "International Tax Expert", "Preventing Money-Laundering and the Financing of Terrorism", "IFRS 15 and 16", "International Accounting Standards" and "Transfer Prices". Specifically, in 2017 a total of 2,418 hours of training was given in the FCC Group on the acquisition, updating and recycling of economic and financial knowledge, including accounting and auditing standards, internal control and risk management and control, as well as other regulatory and business questions that it necessary to be familiar with in order to be able to prepare the Group's financial reporting adequately.

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:

The FCC Group has a risk-management policy and system approved by the Board of Directors that describes a management and risk-control model based on allocating responsibilities in different ambits of the organisation, establishing three levels of risk management.

The first risk-management level is carried out by the operational areas of each business unit, who are responsible for managing, monitoring and properly reporting any risk generated.

The second level, also to be found within the business units, is made up of support, control and supervision teams who oversee the effective control of risks. As part of this second level, the business-unit managements, via committees set up for the purpose, are responsible for the effective implementation of the risk-management system, including risks related to financial reporting, beginning by identifying and prioritising risks, approved by means of risk maps, and making decisions on their processing and monitoring.

The third risk-management level lies within corporate areas that fall outside the business units, reporting directly to senior management and the Auditing and Control Committee. From this level, the Risk Management section is responsible for adequately coordinating the entire risk control and management process, reporting any incidents found and acting as a clearing house and transmitter for best practices in this regard. The Internal Auditing section is the last line of defence. Its tasks in the final stage of control include assessing whether the policies, methods and procedures are appropriate and verifying their effective implementation.

To do this, based on a transversal-risks master plan, the business units identify and value risks in terms of the likelihood of their occurrence and impact to obtain specific prioritised risk maps for each of them. This risks master plan includes, under different perspectives, risks related to errors and fraud in the preparation of financial reporting.

On a regular basis, the management of each business area reports on any risks that have materialised in each of the group's divisions. This information is used both to update the risk maps and for taking action.

Section E of this Annual Report on Corporate Governance contains details of the activities and functioning of the FCC Group's risk-management model.

- **If the process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.**

The FCC Groups Risks Master Plan covers, from different perspectives, the risks related to financial-reporting objectives. Under operational and financial risks, different aspects related to the analysis, monitoring and efficiency of the management of financial reporting are considered. Under compliance risks, the impact of any breaches of regulatory requirements on accounting, commerce and corporate matters is covered. Finally, under reporting risks, various risks are included related to lacks in reporting models and systems, addressing such issues as reliability, opportunity and transparency.

The risk of fraud is covered on the Crime Risk Map, identifying various high-risk types of behaviour that could lead to different types of fraud being committed.

The processes for both identifying and valuing risks are updated regularly, in accordance with business needs and also external factors. In addition, every four months the business units update the main risks that have materialised during the previous period.

- **A specific process is in place to define the scope of consolidation, regarding the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.**

Each of the divisions into which the FCC is organised in responsible for maintaining and updating the scope of consolidation for its specific area of business. The Consolidation and Accounting Standardisation department regularly updates the Economic and Financial Manual for the group companies that fall within the scope of consolidation, based on data provided by the business divisions. In addition, regular checks are made to ensure that the companies within the consolidation group are dealt with correctly in accounting terms.

- Whether the process takes into account the effects of other types of risks (operating, technological, financial, legal, reputational, environmental, etc.) to the extent they affect the financial statements.

The FCC Group's risk-management system, considering their likely impact on financial statements and other factors, groups risks in a transversal Risks Master Plan into five major categories.

– **Strategic:** These are risks considered to be key for the organisation and hence managed on a proactive and priority basis. These risks, should they materialise, seriously compromise the achievement of the strategic objectives.

– **Operating:** These risks are related to operations management and the value chain of each one of the business areas and the protection of assets in the case of possible losses.

– **Compliance:** These are risks affecting internal or external regulatory compliance.

– **Financial:** Risks associated with the financial markets and with the generation and management of cash.

– **Reporting:** These refer to internal and external financial and non-financial information and comprise established aspects of reliability, opportunity and transparency.

Each of these categories covers different risks related to technological, legal, compliance, reputational-damage and environmental-damage issues, etc.

- Which of the company's governing bodies oversees the process.

The process of identifying financial-reporting risks is supervised by the Auditing and Control Committee, whose duties include supervising the internal control systems and risk management within the FCC group, as established under section 37 of the Board Rules.

It is supported by the Internal Auditing section (which reviews the controls) and the Administration and Finance department (which performs various internal controls roles related to the internal control system for financial reporting, including top-level duties, control tasks related to the consolidation sub-process, and the standardisation of processes related to the preparation of reporting). In addition, the managements of the business units, via the established committees, also perform a supervisory role for the risk-management process. Their main duties and responsibilities are implementing the risk-management system, preparing and approving documents, studying and monitoring, designing alert indicators and liaising with the Risk Management and Compliance section.

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 FRICS, which are to be disclosed to securities markets, indicating who is responsible for these, as well as for the documentation describing all 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.

With their second-level function of compliance with internal control, the areas of economic and financial control, management control, legal advice, procurement and technical services of each business unit define and implement the financial information control policies and procedures and are responsible for designing, implementing and maintaining the internal controls created by those responsible for operations. Meanwhile, as recipients of the financial information, the Management Committees or committees of similar function of each business unit carry out monitoring tasks.

Regarding the Financial Information Internal Control System, high-level executive functions are assumed by FCC Group's General Administration Management. Having previously received the report of the Audit and Control Committee, the Board of Directors will prepare the Financial Statements and the Management Report. These statements will be certified in advance as to their integrity and accuracy by the General Manager of Administration and Finance with the approval of the CEO. In addition, during the process of publishing the financial information in securities markets, whether quarterly or occasionally, or when a relevant event takes place, the managers of each area will review the information reported for consolidation. This information is consolidated by the Group's General Administration and Finance Management, which carries out certain control activities in the closing of the accounts to ensure the reliability of said information.

In addition, 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 also carried out by General Administration and Finance 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. These procedures and their associated controls are included in the General Standards Manual and in the Group's Economic and Finance Manual.

Also, the function of Risk Management and Compliance provides methodological support in relation to identifying and evaluating risks in the financial reporting process and in identifying and designing controls, and the function of Internal Audit reviews the financial information disseminated regularly to the markets.

The conclusions of the evaluation of internal controls conducted by the external auditor as part of the audit of accounts, together with the monitoring carried out by General Internal Auditing, Risk Management and Compliance are referred to the Audit and Control Committee through reports contains the recommendations considered necessary to correct them.

With regard to the documentation describing activities and controls, in addition to the bases set out in the Compliance Policy and in Articles 10, 11 and 14 of the Rules of the Board of Directors, which describes the specific functions relating to the financial statements, the Management Report and the relationship with securities markets, FCC Group has defined procedures for the closing and maintenance processes for the chart of accounts, including procedures for ensuring the correct identification of the scope of consolidation. In particular, the Economic and Finance Manual covers the various types of processes and transactions that may affect the financial statements (accounting, tax, insurance, cash flow, computer applications, etc.) and contains a series of rules that make it possible to obtain economic and financial information in a standardised and correct manner.

F.3.2. Internal control policies and procedures for IT systems (including, among others, secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

FCC has an Information Security Policy that defines the Company's information security model, the regulatory body, the organisation and responsibilities of the security, the classification of the information, the areas of information security, the risk analysis model and the procedures for auditing information. The internal control policies and procedures for information systems cover all processes of the Group's information management, including the processes of preparation and publication of financial information. Certain processes in the infrastructure (construction and industrial) and water business areas have a management system for the information-security management with international ISO/IEC 27001 certification.

The documentation for the Information Security System includes specific rules on database security, encryption technologies, control of access to applications and information systems, control of computer hardware settings, principles and measures necessary to ensure the confidentiality, integrity and availability of the information accessed and/or processed through mobile devices, safety criteria for backups, management of security incidents, security for information system testing and maintenance rooms, security criteria for implementing and connecting networks, principles to be met by passwords, control of privacy, security for developments, security criteria for procuring services from non-Group companies, principles of security to meet in FCC facilities where information is processed, control of roles and responsibilities in the information security, return of technological resources, secure browsing guide and email security guide.

Information security is evaluated from time to time through internal reviews conducted by the Information Security Department.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

As FCC Group policy, only goods and services which cannot be produced or implemented internally with Group staff will be purchased or contracted, unless this means higher costs than contracting a third party.

Under the FCC Group's Procurement Rules for 2017 the Procurement department is responsible for managing procurement related to the specific business of Central Services, for both the business and corporate divisions, regardless of the type of goods or services involved, including goods and services related to IT, consulting, tax and legal advice, etc., as well as managing any transversal procurements of goods and services within the group. Any purchases where management is delegated to the business units must be in accordance with the provisions of the General Standards Manual.

The Procurement Rules, and specifically the Procurement Manual, set out the activities and responsibilities for the management of suppliers, particularly with regard to the analysis process prior to calls for quotations and the assessment of performance once the service has been partially or fully completed. In turn, in their procedures for procurement and inspecting subcontracted services the business units include mechanisms for monitoring and assessing services provided.

With regard to subcontracted activities with a significant impact on financial statements, the FCC Group has outsourced the management of its ICT infrastructure and support for the main corporate applications. As part of the contract, investments are being made to standardise the architecture of the FCC Group's systems so that there will be no differences in the environments managed by the group companies in terms of availability and security. The IT Systems department has specific procedures in place to control outsourced services by contractually regulating the following matters:

- Mechanisms of governance and monitoring of the service.
- Audits, inspections and reviews of the provision
- Management of service levels.
- Monitoring and control of services provided by third parties that affect 27001 certifications.

The main subcontracted activities related to performing or processing transactions that appear in the Group's financial statements are the valuation of derivative financial products, actuarial calculations and certain ad hoc property valuations.

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 General Administration and Finance Management, is centralised in the Consolidation and Accounting Standards and Administrative Coordination Departments, and their functions, among others, are the following:

- Defining the accounting policies of the Group and including them in the Economic and Finance Manual
- Issuing the accounting regulations 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 unique 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.
- Tracking the new regulatory projects under study at the IASB, the new standards approved by this agency and the process of official validation thereof.

The Administrative Coordination Division specifies, clarifies or broadens the instructions and regulations issued.

The Economic and Finance Manual, which contains the accounting regulations, is available on the Group's intranet. The updating and maintenance of the manual is the responsibility of the Administration, Management Control, Finances and Taxes Divisions and Departments.

In cases where the application of accounting regulations is subject to different interpretations, General Internal Auditing and Risk Management and Compliance and/or General Administration and Finance Management may take part in the explanation to the external auditor, stating the grounds on which the interpretation of FCC Group is based.

F.4.2. Mechanisms for gathering and preparing financial reports with standardised formats, to be applied and used by all 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 FRICS.

FCC Group has implemented SAP environmental tools for consolidating the economic and financial information which cover its needs to report its financial statements. This tool manages to centralise in a single system most of the information corresponding to the accounting for the individual financial statements of the subsidiaries making up the Group. The system is centrally managed and uses a single chart of accounts.

The Corporate Finance department uses this tool to compile full information on the entire FCC Group (Spanish and foreign-registered companies), except those integrated by the equity method.

The internal accounting policies, procedures and standards related to the account closing, reporting and consolidation processes are described in the Group's Economic and Finance Manual, which also details the information that must be furnished for consolidation purposes and defines the basic documents and forms to be used for that purpose.

In addition, when closing the year's accounts and with a view to publishing the annual report, the Administration department sends out the year-end plan, including a set of instructions for those responsible for providing the relevant financial information. These instructions are made more specific, clarified or extended by the Administrative Coordination unit as required.

The consolidated financial statements follow International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). In order to homogenise FCC Group's economic and financial reporting according to international standards, model financial statements and a corporate accounting chart have been developed, and these are also included in the Economic and Finance Manual.

F.5 Supervision of the system's functioning

Disclose, identifying the main characteristics, whether you have:

F.5.1. The FRICS 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 FRICS. Likewise, the scope of the FRICS assessment carried out during the year and the procedure that the person responsible for executing the evaluation uses to communicate the results, state also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The Audit and Control Committee was created by the Board of Directors as a permanent body without executive function and with the powers of information, advice and proposal within its scope of action. Its activities, according to section 37 of the Board Rules, are as follows:

- Informing the General Meeting of Shareholders on the questions raised which fall within its scope of authority and, in particular, on the outcome of the audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in that process.
- Liaising between the Board of Directors and the Company's external Auditor, evaluating the results of each audit.
- 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 directly report to it 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.
- Monitoring and analysing the effectiveness of the Company's internal control and the control and management of risk policy approved by the Board of Directors.
- 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 suitable delimitation of the scope of the consolidated group and the correct application of the accounting criteria;
- Reviewing internal control and risk management systems on a regular basis, including tax control systems, to ensure that the main risks are properly identified, managed and disclosed appropriately;

The function of Internal Audit is carried out by General Internal Auditing, in the framework of General Internal Auditing, Risk Management and Compliance. Its main mission is to facilitate the Audit and Control Committee fulfilling its functions and responsibilities, acting with complete independence from the management areas, its functional dependence on the Auditing and Control Committee. Its functions include the efficiency of the internal controls, ensuring compliance with legal requirements, the evaluation and enhancement of the risk management processes, and ensuring that the financial information prepared is correct and appropriate for FCC Group. These functions are specifically, among others, the following:

- Reviewing the (individual and consolidated) accounting information, the Management Reports and the financial information disclosed 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.
- Suggesting internal control measures to enable compliance with standards applying to the preparation and disclosure of financial reports.
- Checking that assets really exist and the systems guaranteeing their integrity and safeguarding.
- 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 Management and recommending corrective actions.

The result of the reviews carried out by the Internal Auditing section and any incidents detected are reported by the Internal Auditing, Risk Management and Compliance department to the Auditing and Control Committee.

Meanwhile, the Audit and Control Committee approves the Annual Audit Plan and monitors the Activities Report. In 2016, the following work relating to the management and control of risks and the monitoring of the Group's financial information, among others, was carried out in various areas:

- Review of the physical and logical security of the information systems that support the Group's processes and business areas, particularly in Spain, including those related to financial reporting.
- Monitoring any weaknesses in internal controls detected by internal or external audits of the IT division.
- Collaborating on internal audits for ISO/IEC 27001 compliance.
- Handling any complaints received via the Reporting Channel to be looked into by Internal Auditing.
- Supervising the individual and consolidated accounts of FCC S.A. and its six-monthly financial statements reviewed by the external auditors.
- Monitoring of the financial information disclosed to regulators and markets and monitored by the Audit and Control Committee:
  - Annual financial report,
  - Management reports,
  - Semi-annual financial report,
  - Quarterly reports,
  - Annual Corporate Governance Report.
- Review of financial information associated with fulfilling financing agreement conditions.
- Reviewing the control environment regarding the prevention of money-laundering and the financing of terrorism.
- Proposing for Board approval the procedure for authorising auditing and other services provided by auditing firms in order to cover the Auditing and Control Committee's responsibility for issuing an annual report that sets out an opinion on the auditor of the group's accounts.
- Defining a group-level Risks Master Plan as the starting point for the business units to identify critical risks, providing a homogeneous methodology in line with the risk-management policy and system.
- Auditing key sites, projects and contracts, focusing primarily on reviewing financial information and contractual risks.
- Collaborating on ensuring that the internal regulatory framework is consistent with the law on questions related to money-laundering and the financing of terrorism.

F.5.2. If there is a 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, report whether there is an action plan to correct or mitigate the observed weaknesses.

Section 37 of the FCC Group's Board Rules stipulates that it falls within the remit of the Auditing and Control Committee to act as the liaison between the Board and the company's external auditors, assessing the results and discussing and significant weaknesses in the internal control system detected during the course of audits.

The FCC Group's Basic Auditing Standard states that the Auditing and Control Committee must be made aware, via the Internal Auditing, Risk Management and Compliance department and its liaison with external auditors, of the process for preparing financial reporting, the proper application of generally accepted accounting principles, and compliance with legal requirements and the functioning of the internal-control systems.

In addition, the Group's Basic Internal Auditing Rules sets out, among Internal Auditing's functions and competences, that of assisting the members of the Group's Organisation, providing them with analyses, recommendations, advice and information on the activities reviewed, report to Management any incidents found and recommend corrective actions.

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 Management performs a number of processes for the review of the accounting information (both individual and consolidated), the management reports and the financial reports disclosed to the markets from time to time.

FCC Group's General Internal Auditing, Risk Management and Compliance reports regularly to the Audit and Control Committee on any significant internal control weaknesses identified during the performance of their tasks, giving recommendations to appropriately correct them. The Audit and Control Committee also receive the revelations carried out by the General Administration and Finance Management.

Lastly, 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, detailing the internal control weaknesses that have come up while reviewing the Group's financial statements, including any aspects they consider relevant. In 2016, the internal auditor attended the Audit and Control Committee five times and submitted three reports.

F.6 Other relevant information

N/A

F.7 Report by the external auditor

Report on:

F.7.1. If the FRICS information disclosed to the markets has been reviewed by the external auditor, the Company must include the relevant report as an Appendix. Otherwise, explain the reasons for the absence of this review.

The information included here on the Financial Reporting Internal Control System was reviewed by the external auditor, and the report thereof is attached as an Appendix to this document. The review has been based on the "Action Guide and Model Auditor's Report for Reporting on the Internal Control System for Financial Reporting of Quoted Entities" (Guía de Actuación y Modelo de Informe del auditor referido a la información relativa al Sistema de Control Interno de la Información Financiera de las entidades cotizadas) published by the CNMV in 2013.

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 for listed companies.

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 Articles of Incorporation 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.

Compliant ☒ Explain ☐

2. When a parent and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The type of activities 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.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

Note:
From 24 February 2017, Cementos Portland Valderrivas was definitively excluded from the stock exchange.l.

3. During the celebration of the Annual General Meeting, supplementing the dissemination in writing of the Annual Corporate Governance Report, the Chairperson of the Board of Directors should verbally inform the shareholders, in sufficient detail, of the most relevant aspects of the Company's corporate governance, in particular:

a) The changes that have taken place since the previous Annual General Meeting.

b) The specific reasons why the Company does not follow one or more recommendations of the Corporate Governance Code and the alternative rules applied in this matter, if any.

Compliant ☐ Partially compliant ☐ Explain ☒

The Company believes that sufficient information about its corporate governance is offered to its shareholders in the specific report that accompanies the information made available to them prior to the Meeting being held.

In this regard, the section on "Right to Information" in the announcement of the General Meeting of Shareholders explicitly states that any shareholder may obtain from the Company, among other documents, the Annual Corporate Governance Report, which, as part of the Management Report, is subject to approval by shareholders, for examination at the Company's registered offices or by having it sent to them immediately and free of charge.

This report may be consulted on the Company's website in the section on corporate governance.

4. The Company should define and foster a policy on disclosures and contacts with shareholders, institutional investors and vote advisors that is fully respectful of the rules against market abuse, giving similar treatment to shareholders in the same position.

The Company should publish that policy on its website, including information on how it has been put into practice and identifying the interlocutors or persons in charge of executing the policy.

Compliant ☐ Partially compliant ☐ Explain ☒

Although the Company has not formally approved a policy on this matter, through the Stock Market and Investor Relations Department and Shareholders Department it maintains a relationship with institutional investors and vote advisors that is fully respectful of the aim of the recommendation, of which the Board is informed.

5. **The Board of Directors does not submit to the General Meeting a proposal on the delegation of powers, for the issuance of shares or convertible securities excluding pre-emptive subscription rights, for an amount in excess of 20% of the share capital at the time of delegation.**

   When the Board of Directors approves an issuance of shares or convertible securities excluding pre-emptive subscription rights, the Company must immediately publish on its website the reports on said exclusion mentioned in commercial legislation.

Compliant ☒ Partially compliant ☐ Explain ☐

6. **The listed companies drawing up the reports stated below, whether by obligation or voluntarily, should publish them on their website sufficiently ahead of the Annual General Meeting, even though dissemination thereof may not be compulsory:**

   a) Report on the Independence of the auditor.

   b) Reports on the operation of the Audit Committee and the Appointment and Remuneration Committee.

   c) Report of the Audit Committee on transactions with related parties.

   d) Corporate social responsibility policy report.

Compliant ☒ Partially compliant ☐ Explain ☐

7. **The Company should broadcast live its General Meetings of Shareholders via its website.**

Compliant ☐ Partially compliant ☐ Explain ☒

The Company does not follow this recommendation because it has not, to date, received a request in this regard by its shareholders, and the cost it means for the Company.

8. **The Audit Committee should ensure that the Board of Directors submits its financial statements to the General Meeting of Shareholders without any limitations or qualifications on the audit report and, in the exceptional event there are any qualifications, both the Chairperson of the Audit Committee and the auditors must clearly explain to the shareholders the contents and scope of those limitations or qualifications.**

Compliant ☒ Partially compliant ☐ Explain ☐

9. **The Company must publish on its website, on a permanent basis, the requirements and procedures it will accept for accrediting title to shares, the right of attendance at the General Meeting of Shareholders and the exercise or delegation of voting rights.**

   Said requirements and procedures are to favour attendance and the exercise of shareholder rights and are to be applied in a non-discriminatory manner.

Compliant ☒ Partially compliant ☐ Explain ☐

10. When an authorised shareholder, prior to the General Meeting of Shareholders, has exercised the right to complete the agenda or submit new resolution proposals, the Company:

a) Must immediately disseminate the supplementary items and new resolution - proposals.

b) Must publish the attendance card form or vote delegation or remote voting form with the necessary amendments so that the new items on the agenda and alternative proposals may be voted under the same terms as proposed by the Board of Directors.

c) Must submit all those items or alternative proposals to vote and must apply the same voting rules as those drawn up by the Board of Directors, including in particular the assumptions or deductions on the way of a vote.

d) Subsequent to the General Meeting of Shareholders, it must communicate the breakdown of the vote on said supplementary items or alternative proposals.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

11. If the Company plans to pay premiums for attending the General Meeting of Shareholders, it must establish beforehand a general policy on premiums and said policy must be stable.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

12. 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.

In seeking the corporate interests, besides respecting the law and regulations and a behaviour based on good faith, ethics and the respect for generally accepted usage and good practice, it must reconcile, where applicable, the corporate interests with the legitimate interests of its employees, suppliers, clients and other stakeholders involved, as well as caring for the impact of the Company's activities on the community at large and on the environment.

Compliant ☒ Partially compliant ☐ Explain ☐

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

Compliant ☒ Partially compliant ☐ Explain ☐

14. The Board of Directors must approve a Director selection policy that:

a) Is specific and can be verified.

b) Ensures that the appointment or re-election proposals are based on the prior analysis of the needs of Board of Directors.

c) Favours the diversity of know-how, experience and gender.

The results of the prior analysis of the needs of the Board of Directors are to be included in the report of the Appointments Committee published when calling the General Meeting of Shareholders where the appointment or re-election of each Director is to be ratified.

The Director selection policy must foster the goal of having female Directors representing at least 30% of the total members of the Board of Directors in the year 2020.

The Appointments Committee will verify the fulfilment of the Director selection policy annually and it will be reported in the Annual Corporate Governance Report.

Compliant ☒ Partially compliant ☐ Explain ☐

15. Proprietary and independent directors should occupy an ample majority of seats on the Board, while the number of Executive Directors should be the minimum necessary, bearing in mind the complexity of the corporate Group and the ownership interests they control.

Compliant ☒ Partially compliant ☐ Explain ☐

16. The ratio between proprietary and non-executive members should match the proportion between the capital represented on the Board by these Directors and the remainder of the Company's capital.

This criterion may be relaxed:

a) In large capitalization companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the Board of Directors that are not otherwise related.

Compliant ☒ Partially compliant ☐ Explain ☐

17. The number of independent directors should represent at least one half of all Board members.

However, when the Company is not a company with high market capitalisation or, being so, it has one shareholder or several shareholders acting together who control over 30% of the share capital, the number of independent directors must represent at least one third of the total Directors.

Compliant ☐ Partially compliant ☐ Explain ☒

FCC has three independent directors among its fifteen members, which represents nearly 20% of total directors.

FCC believes that this percentage does not make it necessary to increase the number of independent directors, taking into account the Company's highly concentrated shareholder structure and the effective role played by the three independent directors.

18. Companies should post the following particulars on the Directors on their websites, and keep them permanently updated:

a) Professional experience and background.

b) Other Boards of Directors on which they are members, regardless of whether they are listed companies, and any other remunerated activities they may perform regardless of their nature.

c) An indication of the Director's classification, in the case of proprietary directors, stating the shareholder they represent or have links with;

d) The date of their first and subsequent appointments as a Company Director;

e) Shares held in the Company and any options thereon.

Compliant ☒ Partially compliant ☐ Explain ☐

19. The Annual Corporate Governance Report should also disclose, subsequent to a prior verification by the appointments committee, the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% 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 proprietary directorship.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

20. Proprietary 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 proprietary directors, the latter's number should be reduced accordingly.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure they had been appointed for, except where just cause is found by the Board, based on a proposal from the Appointments Committee. In particular, there shall be deemed to be a just cause when the Director takes new positions or obligations preventing him/her from dedicating the necessary time to perform the functions of a Director, breaches the duties inherent to the office or incurs circumstances which make him/her lose independent status, according to what is established in the applicable laws.

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, when such changes in the structure of the Board of Directors are prompted by the proportionality criterion stated in Recommendation 16.

Compliant ☒ Explain ☐

22. 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 corporation law, the Board should examine the matter as soon as possible and, in view of the particular circumstances, it shall decide whether that Director should remain in his position or not. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

Compliant ☒ Partially compliant ☐ Explain ☐

23. All Directors should express clear opposition when they feel a proposal submitted for the Board'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 whether he or she has Director status.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

24. 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 significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

25. The Appointments Committee should ensure that non-executive directors have enough time available to properly perform their functions.

The Rules of the Board must establish the maximum number of Boards on which its Directors may be members.

Compliant ☐ Partially compliant ☒ Explain ☐

In Article 21.4 of the Rules of the Board of Directors, the Company sets out that "Directors must inform the Appointments and Remuneration Committee of their other professional obligations in case these could interfere with the commitment required by their positions. The Board of Directors must, at the proposal of the Appointments and Remuneration Committee, establish the number of boards the directors of which they may be a member".

Since the aforementioned Committee has so far not made any statement in respect of this number, the Company believes that it partially fulfils the recommendation.

At the moment, the Company has not established the maximum number of boards that each director may belong to, given that the directors' demonstrated commitment to the company is appropriate, and therefore there is no need to state the number.

26. The Board should meet with the necessary frequency to properly perform its functions efficiently, and at least eight times a year, 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 on the agenda not considered initially.

Compliant ☒ Partially compliant ☐ Explain ☐

27. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When a Director cannot attend a meeting, they must appoint a proxy with instructions.

Compliant ☒ Partially compliant ☐ Explain ☐

28. 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 ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

29. The Company should provide suitable channels for Directors to obtain suitable advice for the performance of their functions, extending it in special circumstances to external advice at the Company's expense.

Compliant ☒ Partially compliant ☐ Explain ☐

30. Regardless of the know-how required of Directors to perform their functions, Directors should also be offered refresher programmes by their companies when circumstances so advise.

Compliant ☒ Partially compliant ☐ Explain ☐

31. The agenda of meetings must clearly indicate the items on which the Board of Directors must adopt a decision or resolution so that Directors may study or gather the information they need for that purpose beforehand.

Whenever, exceptionally and for reasons of urgency, the Chairperson wishes to submit for approval to the Board of Directors decisions or resolutions that are not included on the Agenda, the prior and express consent of the majority of the Directors present shall be required, and this shall be duly recorded in the minutes.

Compliant ☐ Partially compliant ☒ Explain ☐

Although the second part of this recommendation is not included word-for-word in the Company's internal rules, it is true, however, that when topics not on the agenda are added to it, this is done with the prior consent of the directors in attendance.

32. Directors must be informed from time to time of shareholder movements and the opinion of significant shareholders, investors and ratings agencies on the Company and its Group.

Compliant ☒ Partially compliant ☐ Explain ☐

33. The chairperson, as the person in charge of the efficient operation of the Board of Directors, apart from exercising the functions entrusted to him/her by law and the bylaws, must prepare and submit to the Board of Directors a programme of dates and matters to be discussed; organise and coordinate the periodic evaluation of the Board and, as the case may be, of the chief executive of the company; must be responsible for managing the Board and that it operates effectively; makes sure that enough time is dedicated to discussing strategic matters, and agrees to and reviews the programmes for refreshing each Director's know-how, when the circumstances so advise.

Compliant ☒ Partially compliant ☐ Explain ☐

34. When there is a coordinating Director, the Bylaws or the Rules of the Board of Directors, apart from the powers legally entrusted to him/her, must attribute the following to him/her: preside over the Board of Directors in the absence of the chairperson and the vice-chairpersons, if there are any; to take stock of the concerns of the non-executive directors; to be in contact with investors and shareholders to know their points of view in order to build an opinion on their concerns, in particular, in relation to the Company's corporate governance; and to coordinate the plan for the succession of the chairperson.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

35. The Secretary of the Board of Directors must especially oversee that the actions and decisions of the Board of Directors take into account the recommendations on good governance included in this Code of Good Governance that are applicable to the Company.

Compliant ☒ Explain ☐

36. The Board in full should evaluate the following items on a yearly basis, adopting, where applicable, an action plan to correct the deficiencies detected in respect of:

a) The quality and efficiency of the Board's operation.

b) The operation and composition of its Committees.

c) The diversity in the composition and powers of the Board of Directors.

d) The performance of the chairperson of the Board of Directors and of the Company's chief executive.

e) The performance and contribution of each Director, paying special attention to those in charge of the different Board Committees.

To evaluate the different committees, the reports they submit to the Board of Directors will be used, and the Board itself will be evaluated based on the report submitted by the Appointments Committee.

Every three years, the Board of Directors will be assisted for its evaluation by an external consultant, whose independence will be verified by the Appointments Committee.

The business relations between the consultant and the Company or any of the Group companies must be detailed in the Annual Corporate Governance Report.

The process and the areas that are evaluated will be described in the Annual Corporate Governance Report.

Compliant ☒ Partially compliant ☐ Explain ☐

37. When there is an Executive Committee, the representation of the different Director categories must be similar to that of the Board of Directors itself and the Secretary of the Committee must be the Secretary of the Board.

Compliant ☐ Partially compliant ☒ Explain ☐ Not applicable ☐

The Secretary of the Executive Committee coincides with the Secretary of the Board. However, there are no independent directors in the Committee, whereas there are three independent members on the Board of Directors.

38. The Board must always be informed of the matters discussed and the decisions adopted by the Executive Committee, and all the Board members must receive a copy of the minutes of Executive Committee meetings.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

39. The members of the Audit Committee, particularly its Chairperson, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters, and a majority of the members must be Independent Directors.

Compliant ☒ Partially compliant ☐ Explain ☐

40. Under the supervision of the Audit Committee, there must be a unit assuming the internal auditing function and overseeing the proper operation of the reporting and internal control systems, functionally dependent on the non-executive chairperson of the Board or of the Audit Committee.

Compliant ☒ Partially compliant ☐ Explain ☐

41. The head of the internal auditing unit 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 ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

42. Apart from those provided by Law, the Audit Committee has the following functions:

1. In relation to the reporting and internal control systems:

a) Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.

b) Monitoring the independence of unit that performs the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal auditing; proposing the department 's budget; approving the focus and work plans, making sure that its activity is geared towards the relevant risks for the company; receiving regular reports on its activities; and verifying that senior executives are acting on the findings and recommendations of its reports.

c) Establishing and supervising 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) Investigate the issues giving rise to the resignation of any external auditor, in the case thereof.

b) Make sure the remuneration of the external auditor does not jeopardise his/her quality or independence.

c) Monitor that the company notifies the change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same, if any.

d) Make sure that the external auditor meets annually with the plenary Board of Directors to report on the work carried out and on the evolution of the Company's accounting and risks situation,

e) Make sure that the Company and the external auditor respect the rules in force on the performance of services other than auditing services, the limits on the auditor's concentration of business and, generally, any other rules on the independence of auditors.

Compliant ☒	Partially compliant ☐	Explain ☐

43. 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 ☒	Partially compliant ☐	Explain ☐

44. The Audit Committee is to be informed of any structural or corporate amendments planned by the Company so that it can analyse and submit a report to the Board of Directors beforehand on the economic conditions and impact on the accounts, especially on the proposed exchange equation, if applicable.

Compliant ☐	Partially compliant ☐	Explain ☒	Not applicable ☐

To date, all the operations referred to in this recommendation have been approved by the votes in favour of all the Company's directors, including independent directors, and so the step prior to these operations with the Audit Committee is not considered be necessary.

45. The risk management and control policy should specify at least:

a) The different types of risk, both financial and non-financial, (operational, technological, legal, company, environmental, political, 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) Establishing the risk level that the Company deems acceptable.

c) The measures provided to mitigate the impact of the identified risks in the event they materialise;

d) Los sistemas de información y control interno que se utilizarán para controlar y gestionar los citados riesgos, incluidos los pasivos contingentes o riesgos fuera de balance.

Compliant ☒ Partially compliant ☐ Explain ☐

46. Under the direct supervision of the Audit Committee or, as the case may be, of a specialised committee of the Board of Directors, there must be an internal function for controlling and managing the risks, exercised by a unit or department within the Company that is expressly attributed these functions:

a) Ensuring the proper operation of the risk control and management systems and, in particular, that all the important risks affecting the Company are satisfactorily identified, managed and quantified.

b) Actively participating in the elaboration of a risk strategy and in the important decisions on managing that strategy.

c) Ensuring the risk control and management systems satisfactorily mitigate risks within the policy defined by the Board of Directors.

Compliant ☐ Partially compliant ☒ Explain ☐

47. The members of the Appointments and Remuneration Committee (or of the Appointments Committee and the Remuneration Committee, if they are separate) are to be appointed making it a point that they have the suitable know-how, skills and experience for the functions they are to perform, and the majority of the members should be independent Directors.

Compliant ☒ Partially compliant ☐ Explain ☐

The current composition of the Appointments and Remuneration Committee comprises two proprietary directors and two independent directors, one of whom holds the Chairmanship.

FCC believes that the composition of the Appointments and Remuneration Committee, with two independent directors of a total of four, one of which is, in addition, the Chairman, is sufficient guarantee of this Committee's proper functioning while simultaneously fulfilling the spirit or philosophy of the recommendation.

48. Highly capitalised companies should have separate Appointments and Remuneration Committees.

Compliant ☐ Explain ☒ Not applicable ☐

The two committees that are recommended are integrated within a single Appointments and Remuneration Committee, because the Board of Directors considers that together in one Committee, it is easier for such committee to fulfil the functions with which it is entrusted.

49. The Appointments Committee should consult with the Company's Chairperson 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 ☒ Partially compliant ☐ Explain ☐

50. The Remuneration Committee must exercise its functions independently and, apart from the functions it is attributed by law, it should also have these functions:

a) Proposing to the Board of Directors the basic conditions of senior management contracts.

b) Overseeing compliance with the remuneration policy set by the Company.

c) Reviewing from time to time the remuneration policy applied to Directors and senior executives, including remuneration systems including shares and the application thereof, as well as guaranteeing that their individual remuneration is proportional to that paid to other Directors and senior executives of the Company.

d) Ensuring that any conflicts of interest do not jeopardise the independence of the external advice provided to the Committee.

e) Verifying the information on Director and senior executive remunerations included in the different corporate documents, including the annual report on Directors' remuneration.

Compliant ☒ Partially compliant ☐ Explain ☐

51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior managers.

Compliant ☒ Partially compliant ☐ Explain ☐

52. The rules on the composition and operation of the Supervision and Control Committees are to be included in the Rules of the Board of Directors and must be consistent with those applying to the legally obligatory committees according to the preceding recommendations, including:

a) They are to be made up exclusively by non-executive Directors, with a majority of independent Directors.

b) Committee Chairmen must be independent directors.

c) The Board of Directors shall appoint 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 for the work carried out.

d) These Committees may engage external advisors when they feel this is necessary to carry out their duties.

e) Minutes must be drawn up of their meetings, and they shall be available for all the Directors.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

53. Monitoring of compliance with the rules of corporate governance, the internal codes of conduct and the corporate social responsibility policy is to be attributed to one or split across several of the Board of Director Committees, which may be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if there is one, or a specialised committee that the Board of Directors, exercising its powers of self-organisation, decides to create for the purpose, and they will specifically be attributed the following minimum functions:

a) Monitoring compliance with the Company's internal codes of conduct and rules of corporate governance.

b) Monitoring the communication strategy and shareholder and investor relations, including small and medium shareholders.

c) Evaluation from time to time of the Company's corporate governance system, in order for it to fulfil its mission of developing the Company's interests and take into account, as appropriate, the legitimate interest of other stakeholders.

d) Review of the Company's corporate responsibility policy, seeing to it that it is geared to creating value.

e) Monitoring the corporate social responsibility strategy and practices and evaluating the degree of compliance therewith.

f) Monitoring and evaluating relationships with the different stakeholders.

g) Evaluating everything related to the Company's non-financial risks, including operating, technological, legal, social, environmental, political and reputational risks.

h) Coordination of the process of reporting non-financial information and diversity, in conformity with the applicable regulations and accepted international standards.

Compliant ☒ Partially compliant ☐ Explain ☐

54. The corporate social responsibility policy must include the principles or commitments voluntarily assumed by the Company in its relations with the different stakeholders, identifying at least:

a) The objectives of the corporate social responsibility policy and the development of support instruments.

b) The corporate strategy regarding sustainability, the environment and social matters.

c) Specific practices in matters related to: shareholders, employees, clients, 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 applying the specific practices stated under the preceding item, the associated risks and the management thereof.

e) The mechanisms for supervising non-financial risk, ethics and company behaviour.

f) The channels for communication, participation and discussion with stakeholders.

g) The responsible communication practices preventing the manipulation of information and protecting integrity and honour.

Compliant ☒ Partially compliant ☐ Explain ☐

55. The Company is to report, on a separate document or in the management report, on matters related to corporate social responsibility, using any of the internationally accepted methods for the purpose.

Compliant ☒ Partially compliant ☐ Explain ☐

56. The remuneration of Directors shall be as necessary to attract and retain Directors with the required profile and to reward the dedication, qualification and responsibility of the position, but not too high so as to jeopardise the independence of criteria of non-executive Directors.

Compliant ☒ Explain ☐

57. Variable remuneration linked to the performance of the Company and personal performance, as well as remuneration via the delivery of shares, options or share options or share-indexed instruments and long-term savings systems such as pension plans, retirement schemes and other corporate benefit systems, must be limited to executive Directors.

The delivery of shares as remuneration to non-executive Directors may be considered, but must be conditional upon their keeping them until they are no longer Directors. The foregoing shall not apply to the shares that the Director may need to dispose of, as the case may be, to meet the costs related to the acquisition thereof.

Compliant ☒ Partially compliant ☐ Explain ☐

58. In the case of variable remuneration, the remuneration policies should include limits and 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.

In particular, the variable components of remuneration:

a) Should be linked to performance criteria that are predetermined and measurable, and those criteria must consider the risk assumed to obtain a result.

b) Should foster the sustainability of the Company and include non-financial criteria suited to long-term value creation, such as compliance with the rules and internal procedures of the Company and of the risk control and management policies.

c) Are to be based on the balance between compliance with short, medium and long-term objectives, allowing the remuneration of returns for continuing performance during a sufficiently long period to appreciate their contribution to sustainable value creation, such that the measuring elements do not focus only on singular, occasional or extraordinary facts.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

59. The payment of a relevant part of the variable remuneration should be deferred for a sufficient minimum period to make sure that the previously established performance conditions have been met.

Compliant ☒ Partially complian ☐ Explain ☐ Not applicable ☐

60. In the case of remuneration linked to company earnings, any qualifications stated in the external auditor's report which may reduce the said results should be considered.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

61. A relevant percentage of the variable remuneration of executive Directors is to be linked to the delivery of shares or share-indexed financial instruments.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

62. Once the shares or share options or share rights corresponding to the remuneration systems are allocated, Directors must not transfer the ownership of a number of shares equal to twice their fixed annual remuneration, and must not exercise the options or rights till at least three years have elapsed since the allocation.

The foregoing shall not apply to the shares that the Director may need to dispose of, as the case may be, to meet the costs related to the acquisition thereof.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

63. Contractual agreements should include a clause enabling the Company to claim the refund of the variable remuneration when the payment was not adjusted to the performance conditions or when it was paid according to data that were subsequently proven not to be exact.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

64. Contract termination payments should not exceed an established amount equivalent to two years of the total annual remuneration and are not to be paid until the Company has been able to check that the Director has met the previously established performance criteria.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

H OTher information of interest

1. **If you consider that there are any relevant principles or aspects of corporate governance in the Company or subsidiaries 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 must provide 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 good practices, that are international, industry or otherwise. If applicable, identify the relevant code and the date of adherence. In particular, mention whether the Company has adhered to the Code of Good Tax Practice, of 20 July 2010.**

   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 relation to this 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 2018.

State whether any of the Directors voted against or abstained from voting the approval of the report herein.

Yes ☐ No ☒

Name or company name of the Director who has not voted in favour of this report	Reasons (against, abstention, not attended)	Explain the reasons

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