

Audit Report on Financial Statements  
issued by an Independent Auditor

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.  
Financial Statements and Management Report  
for the year ended  
December 31, 2022



## **AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR**

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of Fomento de Construcciones y Contratas, S.A.:

### **Report on the financial statements**

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#### **Opinion**

We have audited the financial statements of Fomento de Construcciones y Contratas, S.A. (the Company), which comprise the balance sheet as at December 31, 2022, the income statement, the statement of changes in net equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

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#### **Basis for opinion**

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards 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 related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 audit opinion thereon, and we do not provide a separate opinion on these matters.

### *Measurement of investments in Group companies and associates*

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**Description** At 31 December 2022, the Company recognised under "Long-term investments in Group companies and associates" investments in group companies and associates and loans granted to group companies and associates amounting to 3,002,856 thousand euros and 415,409 thousand euros, respectively, and under "Short-term investments in Group companies and associates", mainly loans with group companies and associates amounting to 199,452 thousand euros.

Company management assesses, at least at the end of each reporting period, whether there are indications of impairment and writes down these investments whenever there is objective evidence that the carrying amount of the investment is no longer recoverable, recognising an impairment loss for the amount of the difference between carrying amount and recoverable amount.

Since the determination of the recoverable amount of these investments requires Company management to make estimates using significant judgement, and because of the significance of the amounts involved, we determined this to be a key audit matter.

Disclosures on the measurement standards applied to determine impairment losses on investments in group companies and associates are provided in notes 4.e and 4.l to the accompanying financial statements.

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### Our response

In relation to this matter, our audit procedures included:

- ▶ Understanding the process designed by Company management to determine whether there are indications of impairment and to determine the recoverable amount of the investments in group companies and associates and assessing the design and implementation of the relevant controls in place in that process.
- ▶ Evaluating the analysis by Company management of indications of impairment of investments in group companies and associates and the information used to determine the recoverable amounts of the investments.
- ▶ Reviewing the disclosures made in the notes to the financial statements in conformity with the applicable regulatory financial reporting framework.

### *Recoverability of deferred tax assets*

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**Description** As explained in note 15 to the accompanying financial statements, the Company recognised deferred tax assets at 31 December 2022 amounting to 135,072 thousand euros, related mainly to the carry forward of unused tax losses.

According to the accounting policy described in note 4.g to the accompanying financial statements, the Company recognises deferred tax assets corresponding to temporary differences, negative tax bases pending compensation or deductions pending application for which it is likely that the Tax Group will have future taxable profits that make it possible to recover these assets.

The assessment made to determine the recoverable amount of these assets requires Company management to make complex judgements regarding the estimates of the future taxable profit based on financial projections and business plans of the tax group of which the Company is the head, considering applicable tax laws and accounting standards.

Given the complexity inherent in management's projections of business performance to estimate future taxable profits of the Company and the rest of the companies comprising the Tax Group and the significance of the amounts involved, we determined this to be a key audit matter.

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**Our  
response**

In relation to this matter, our audit procedures included:

- ▶ Understanding the process designed by Company management to assess the recoverability of deferred tax assets and the design and implementation of the relevant controls in place in that process.
- ▶ Assessing the reasonableness of the key assumptions used by Company management to estimate the period for recovering deferred tax assets, focusing on the economic, financial and tax assumptions used to estimate the future taxable profits of the Tax Group based on budgets, business performance and historical experience.
- ▶ Assessing, with the involvement of our tax specialists, the key assumptions made by Company management regarding applicable tax laws.
- ▶ Assessing the sensitivity of the results to reasonably possible changes in those assumptions.
- ▶ Reviewing the disclosures made in the notes to the financial statements in conformity with the applicable regulatory financial reporting framework.

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**Other information: management report**

Other information refers exclusively to the 2022 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. Our responsibility for the management report, in conformity with prevailing audit regulations in Spain, entails:

- a. Checking only that the non-financial statement and certain information included in the Annual Corporate Governance Report and in the Annual Directors' Remuneration Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.
- b. Assessing and reporting on the consistency of the remaining information included in the management report with the financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2022 financial statements and its content and presentation are in conformity with applicable regulations.

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### **Responsibilities of the directors and the Audit and Control Committee for the financial statements**

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in note 2 to the accompanying financial statements, and for such internal control as they 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 has no realistic alternative but to do so.

The Audit and Control Committee is responsible for overseeing the Company's financial reporting process.

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### **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 prevailing audit regulations 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.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ▶ Conclude on the appropriateness of the director's use 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 Audit and Control Committee of the Company 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 Audit and Control Committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Control Committee of the Company, 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.

## **Report on other legal and regulatory requirements**

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### **European single electronic format**

We have examined the digital file of the European single electronic format (ESEF) of Fomento de Construcciones y Contratas, S.A. for the 2022 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of Fomento de Construcciones y Contratas, S.A. are responsible for submitting the annual financial report for the 2022 financial year, in accordance with the formatting requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report have been incorporated by reference in the management report.

Our responsibility consists of examining the digital file prepared by the directors of the Company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the financial statements included in the aforementioned digital file correspond in their entirety to those of the financial statements that we have audited, and whether the financial statements and the aforementioned file have been formatted, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

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#### **Additional report to the Audit and Control Committee**

The opinion expressed in this audit report is consistent with the additional report we issued to the Audit and Control Committee on February 23, 2023.

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#### **Term of engagement**

The ordinary general shareholders' meeting held on June 2, 2020 appointed us as auditors for 3 years, commencing on December 31, 2021.

ERNST & YOUNG, S.L.  
(Registered in the Official Register of  
Auditors under No. S0530)

(Signature on the original in Spanish)

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Fernando González Cuervo  
(Registered in the Official Register of  
Auditors under No. 21268)

February 24, 2023



FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

***Financial Statements and  
Management Report***

***2022***





## ***Financial Statements***

**BALANCE SHEET AT YEAR-END 2022**

(in thousands of euros)

ASSETS	31/12/2022	31/12/2021
<b>NON-CURRENT ASSETS</b>	<b>3,606,009</b>	<b>3,583,670</b>
<b>Intangible assets</b> (Note 5)	<b>5,496</b>	<b>7,705</b>
<b>Property, plant and equipment</b> (Note 6)	<b>26,762</b>	<b>27,962</b>
Land and buildings	11,718	11,765
Other intangible assets	15,044	16,197
<b>Long-term investments in Group companies and associates</b> (Notes 9.a and 18.b)	<b>3,418,265</b>	<b>3,474,792</b>
Equity instruments	3,002,856	3,080,151
Loans to companies	415,409	394,641
<b>Long-term financial investments</b> (Note 8.a)	<b>20,414</b>	<b>22,943</b>
<b>Deferred tax assets</b> (Note 15)	<b>135,072</b>	<b>50,268</b>
<b>CURRENT ASSETS</b>	<b>302,527</b>	<b>446,774</b>
<b>Trade receivables and other accounts receivable</b>	<b>88,848</b>	<b>170,428</b>
Trade receivables for sales and services (Note 17)	8,042	808
Customer receivables, Group companies and associates (Note 18.b)	26,186	23,631
Receivables from the public administrations (Note 15.a)	54,023	145,224
Other receivables	597	765
<b>Short-term investments in Group companies and associates</b> (Notes 9.b and 18.b)	<b>199,452</b>	<b>208,413</b>
<b>Short-term financial investments</b> (Note 8.b)	<b>3,644</b>	<b>6,173</b>
<b>Cash and other cash equivalents</b>	<b>10,583</b>	<b>61,760</b>
<b>TOTAL ASSETS</b>	<b>3,908,536</b>	<b>4,030,444</b>

Notes 1 to 21 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2022.

**BALANCE SHEET AT YEAR-END 2022**

(in thousands of euros)

<b>EQUITY AND LIABILITIES</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
<b>EQUITY</b> (Note 10)	<b>2,356,749</b>	<b>2,340,256</b>
Shareholders' equity	2,356,749	2,340,256
Capital	438,345	425,174
Share premium	1,673,477	1,673,477
Reserves	2,619,098	2,386,556
Shares and equity interests	(27,264)	(26,674)
Prior years' losses	(2,392,774)	(2,392,774)
Profit for the year	45,867	274,497
<b>NON-CURRENT LIABILITIES</b>	<b>917,811</b>	<b>944,876</b>
Long-term provisions (Note 11)	110,896	137,997
Non-current payables (Note 12)	29	29
Long-term payables to Group companies and associates (Note 9.c)	806,479	806,479
Deferred tax liabilities (Note 15)	407	371
<b>CURRENT LIABILITIES</b>	<b>633,976</b>	<b>745,312</b>
Short-term provisions	2,069	1,698
Current payables (Note 12)	180,117	230,563
Debt instruments and other marketable securities	23,200	30,000
Bank borrowings	155,837	200,076
Other financial liabilities	1,080	487
Short-term payables to Group companies and associates (Notes 9.d and 18.b)	413,058	488,048
Trade and other payables	38,732	25,003
Suppliers	2,861	1,659
Suppliers, Group companies and associates (Note 18.b)	11,964	3,115
Other payables to public administrations (Note 15.b)	2,924	1,059
Other payables	20,983	19,170
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,908,536</b>	<b>4,030,444</b>

Notes 1 to 21 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2022.

**INCOME STATEMENTS CORRESPONDING TO THE BUSINESS YEAR  
ENDED 31 DECEMBER 2022**  
(in thousands of euros)

	31/12/2022	31/12/2021
<b>CONTINUING OPERATIONS</b>		
<b>Revenue</b> (Note 17)	<b>115,020</b>	<b>130,605</b>
Trade receivables for sales and services	84,479	59,697
Income from interests in Group companies and associates (Note 18.a)	15,822	57,535
Financial income from marketable securities and other financial instruments in Group companies and associates (Notes 17 and 18.a)	14,719	13,373
<b>Other operating income</b>	<b>37,239</b>	<b>33,710</b>
<b>Staff expenses</b> (Note 17)	<b>(28,631)</b>	<b>(23,032)</b>
<b>Other operating expenses</b> (Note 17)	<b>(75,328)</b>	<b>(51,020)</b>
<b>Depreciation and amortisation</b> Notes 5 and 6)	<b>(5,891)</b>	<b>(5,651)</b>
<b>Provision surpluses</b> (Note 11)	<b>5,920</b>	<b>1,596</b>
<b>OPERATING PROFIT</b>	<b>48,329</b>	<b>86,208</b>
<b>Financial income</b> (Note 17)	<b>168</b>	<b>182</b>
Interests in equity instruments in third parties	34	34
From marketable securities and other financial instruments of third parties	134	148
<b>Financial expenses</b>	<b>(38,218)</b>	<b>(35,367)</b>
Payables to Group companies and associates (Note 18.a)	(34,830)	(33,144)
On payables to third parties	(3,388)	(2,223)
<b>Change in fair value of financial instruments</b> (Note 17)	<b>2,441</b>	<b>5,440</b>
<b>Exchange differences</b>	<b>(3,571)</b>	<b>1,946</b>
<b>Impairment losses and gains/(losses) on disposal of financial instruments</b> (Nota 9)	<b>(68,321)</b>	<b>186,548</b>
<b>FINANCIAL PROFIT/(LOSS)</b>	<b>(107,501)</b>	<b>158,749</b>
<b>PROFIT BEFORE TAX</b>	<b>(59,172)</b>	<b>244,957</b>
<b>INCOME TAX</b> (Note 15)	<b>105,039</b>	<b>29,540</b>
<b>PROFIT FOR THE BUSINESS YEAR FROM CONTINUING OPERATIONS</b>	<b>45,867</b>	<b>274,497</b>
<b>PROFIT FOR THE YEAR</b>	<b>45,867</b>	<b>274,497</b>

Notes 1 to 21 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2022.

**STATEMENT OF CHANGES IN NET EQUITY FOR BUSINESS YEAR ENDED 31  
DECEMBER 2022****A) STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
**(in thousands of euros)**

	<b>31/12/2022</b>	<b>31/12/2021</b>
<b>Profit per income statement</b>	<b>45,867</b>	<b>274,497</b>
<b>Income and expenses recognised directly in equity</b>	<b>–</b>	<b>–</b>
<b>Write-offs to income statement</b>	<b>–</b>	<b>–</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSE</b>	<b>45,867</b>	<b>274,497</b>

Notes 1 to 21 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2022.

**B) STATEMENT OF CHANGES IN EQUITY**  
(in thousands of euros)

	Capital stock (Notes 3 and 10.a)	Share premium (Note 10.b)	Reserves (Notes 3 and 10.c)	Own shares (Note 10.d)	Prior years' losses	Profit/(loss) for the year (Note 3)	Equity
<b>Equity at 31 December 2020</b>	<b>409,107</b>	<b>1,673,477</b>	<b>2,161,520</b>	<b>(18,012)</b>	<b>(2,392,774)</b>	<b>250,824</b>	<b>2,084,142</b>
<b>Total recognised income and expense</b>						<b>274,497</b>	<b>274,497</b>
<b>Transactions with partners or owners</b>	<b>16,067</b>		<b>(25,788)</b>	<b>(8,662)</b>			<b>(18,383)</b>
Capital increases	16,067		(16,157)				(90)
Distribution of dividends			(9,631)				(9,631)
Transactions with shares or equity interests (net)				(8,662)			(8,662)
<b>Other changes in net equity</b>			<b>250,824</b>			<b>(250,824)</b>	
<b>Equity at 31 December 2021</b>	<b>425,174</b>	<b>1,673,477</b>	<b>2,386,556</b>	<b>(26,674)</b>	<b>(2,392,774)</b>	<b>274,497</b>	<b>2,340,256</b>
<b>Total recognised income and expense</b>						<b>45,867</b>	<b>45,867</b>
<b>Transactions with partners or owners</b>	<b>13,171</b>		<b>(41,955)</b>	<b>(590)</b>			<b>(29,374)</b>
Capital increases	14,871		(14,962)				(91)
Capital reductions	(1,700)		(16,210)	17,910			-
Distribution of dividends			(10,783)				(10,783)
Transactions with shares or equity interests (net)				(18,500)			(18,500)
<b>Other changes in net equity</b>			<b>274,497</b>			<b>(274,497)</b>	
<b>Equity at 31 December 2022</b>	<b>438,345</b>	<b>1,673,477</b>	<b>2,619,098</b>	<b>(27,264)</b>	<b>(2,392,774)</b>	<b>45,867</b>	<b>2,356,749</b>

Notes 1 to 21 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the financial statements for the 2022 business year. In particular, note 10 "Net equity" contains further details on this statement.

**CASH FLOW STATEMENT FOR THE BUSINESS YEAR ENDING ON  
31 DECEMBER 2022**  
(in thousands of euros)

	31/12/2022	31/12/2021
<b>Profit for the year before tax</b>	<b>(59,172)</b>	<b>244,957</b>
<b>Adjustments to profit/(loss)</b>	<b>76,921</b>	<b>(225,745)</b>
Depreciation and amortisation (Notes 5 and 6)	5,891	5,651
Impairment loss allowances (Note 9)	67,954	(182,255)
Changes in provisions (Note 11)	(5,508)	(1,549)
Profit/(loss) from de-recognitions and non-current asset disposals	(123)	-
Gains from cancellations and disposal of financial instruments (Note 9)	69	(4,484)
Financial income (Note 17)	(30,709)	(71,090)
Financial expenses	38,218	35,368
Exchange differences	3,571	(1,946)
Change in fair value of financial instruments	(2,442)	(5,440)
<b>Changes in working capital</b>	<b>6,494</b>	<b>(7,062)</b>
Trade and other receivables	(9,075)	(5,176)
Trade and other payables	15,542	(1,736)
Miscellaneous current assets and liabilities	27	(150)
<b>Other cash flows from operating activities</b>	<b>31,702</b>	<b>49,446</b>
Interest paid	(37,742)	(35,178)
Interest and dividend collections	19,004	59,028
Corporation tax refunded/(paid) (Note 15.h)	50,440	25,596
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>55,945</b>	<b>61,596</b>
<b>Payments on investments</b>	<b>(138,324)</b>	<b>(260,364)</b>
Group companies and associates (Note 9)	(133,709)	(256,086)
Intangible fixed and non-current asset, property, plant and equipment and other assets (Notes 5 and 6)	(4,615)	(4,278)
<b>Proceeds from divestments</b>	<b>136,008</b>	<b>230,154</b>
Group companies and associates (Note 9)	134,054	223,698
Intangible fixed and non-current asset, property, plant and equipment and other assets (Notes 5, 6 and 17)	1,954	6,456
<b>TOTAL CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(2,316)</b>	<b>(30,210)</b>
<b>Proceeds and (payments) from equity instruments</b> (Note 10)	<b>(18,589)</b>	<b>(8,754)</b>
<b>Proceeds from (payments on) financial liabilities</b> (Note 12)	<b>(73,697)</b>	<b>40,169</b>
Issuance of:		
Debt instruments and other marketable securities	279,000	398,000
Bank borrowings	154,564	330,877
Payables to Group companies and associates	18,264	337,095
Repayment and amortisation of:		
Debt instruments and other marketable securities	(285,800)	(670,300)
Bank borrowings	(200,000)	(331,672)
Payables to Group companies and associates	(39,725)	(22,141)
Other payables	-	(1,690)
<b>Dividend payments</b> (Note 10)	<b>(10,783)</b>	<b>(9,631)</b>
<b>TOTAL CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(103,069)</b>	<b>21,784</b>
<b>Effect of changes in exchange rates</b>	<b>(1,737)</b>	<b>363</b>
<b>NET INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS</b>	<b>(51,177)</b>	<b>53,533</b>
<b>Cash and cash equivalents at the start of the period</b>	<b>61,760</b>	<b>8,227</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>10,583</b>	<b>61,760</b>

Notes 1 to 21 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2022.

## NOTES TO THE FINANCIAL STATEMENTS AT 2022 YEAR-END

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## 1. - COMPANY ACTIVITY

Fomento de Construcciones y Contratas, S.A. is the parent company of the FCC Group, which comprises a wide range of both Spanish and foreign subsidiaries and associates.

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### Company identification data

Name of the reporting entity or other means of identification	Fomento de Construcciones y Contratas, S.A.
Legal form of the entity	Public Limited Company (In Spain: Sociedad Anónima)
Address of the entity's registered office	C. Balmes 36, 08007 Barcelona, Spain
Address of the entity	Avenida Camino de Santiago 40, 28050, Madrid, Spain
Country of incorporation	Spain
Main place of business	Spain
Name of the parent company	Control Empresarial de Capitales, S.A. de C.V.
Name of the controlling parent of the group	Control Empresarial de Capitales, S.A. de C.V.
Changes to the name of the reporting entity	No changes have occurred this year

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FCC The Group operates in the following business areas:

- **Environmental Services.** Services related to urban sanitation, industrial waste treatment, green area conservation, including both the construction and operation of treatment plants and the energy recovery of waste.
- **Integrated Water Management.** Services relating to the integrated water cycle: collection, purification and distribution of water for human consumption; wastewater collection, filtration and purification; design, construction, operation and maintenance of water infrastructure for municipal, industrial, agricultural services, etc.
- **Construction.** Specialising in infrastructure, building and related sectors: motorways, highways, roads, tunnels, bridges, hydraulic works, ports, airports, urban developments, housing, non-residential building, lighting, industrial climate control installations, environmental restoration, etc.
- **Real estate.** Dedicated to the promotion of housing and the rental of offices, commercial premises and residential properties.
- **Cement.** Operation of quarries and mineral sites, the manufacturing of cement, limestone, plaster and derivate pre-manufactured products and the production of concrete.
- **Concessions:** Mainly includes concession agreements related to the operation of motorways, tunnels and other similar infrastructures and urban tramways.

## 2. - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been drawn up from the accounting records of Fomento de Construcciones y Contratas, S.A. and the temporary joint ventures in which it participates, so they present fairly the equity, the financial position, the results of the Company and the cash flows for the year.

The regulatory framework applicable to the Company is established in:

- The Spanish Commercial Code and other commercial legislation.
- General Accounting Plan and its sector adaptations.
- The mandatory rules approved by the Spanish Institute of Accounting and Auditing in order to implement the General Accounting Plan and its supplementary rules.
- All other applicable Spanish accounting legislation.

These financial statements, which have been prepared by the Company's Board of Directors, will be submitted for approval at the Annual Shareholders' Meeting, and they are expected to be approved without any modification. The 2021 financial statements were approved by the shareholders at the Annual General Meeting held on 14 June 2022.

The financial statements are expressed in thousands of euros.

### Joint ventures and similar entities

The balance sheets, income statements, statements of changes in equity and cash flow statements of the joint ventures in which the company participates were incorporated by the proportional consolidation method, based on the shareholding of each joint venture.

The joint ventures were included through adjustments to unify the accounting period and the valuation methods, together with the reconciliations and reclassifications required and the appropriate eliminations, both of the asset and liability balances and of the reciprocal revenue and expenses. In the notes to the financial statements, the corresponding amounts are broken down when they are significant.

The balance sheet and income statement include the balance sheet aggregates at the shareholding in the joint ventures shown below:

	2022	2021
Revenue	138	57
Operating profit	73	161
Non-current assets	28	30
Current assets	417	294
Non-current liabilities	5	6
Current liabilities	423	151

The joint ventures and percentage holdings are listed in Appendix II.

#### Grouping of epigraphs

Certain balance sheet, income statement and cash flow statement epigraphs have been grouped together so that they may be more easily understood; in any event, all significant information is broken down separately in the corresponding notes to the financial statements.

#### Going concern

At 31 December 2022, the Company had negative working capital of 331,449 thousand euros, mainly as a result of the following debts: (i) with its subsidiaries for 413,058 thousand euros and (ii) relating to bank financing (loans, credit facilities and promissory notes) for 179,037 thousand euros (Note 12). Despite this, the directors of Fomento de Construcciones y Contratas, S.A. prepare these financial statements on a going concern basis as there are no doubts as to the ability of the Group of companies, of which the Company is the parent, to continue to generate funds from its operations (consolidated operating profit of 610,526 thousand euros and cash position of 1,575,538 thousand euros). This is in addition to the ability to finance itself in the event of working capital requirements, as it has a promissory note issue programme (ECP) for the sum of 600,000 thousand euros, maturing in a maximum of one year, of which only the aforementioned 23,200 thousand euros (Note 12.a) have been drawn. This is further bolstered by the confidence deriving from the renewal of loans granted for 150,000 thousand euros and bank credit facilities granted amounting to 275,000 thousand euros, of which 270,436 thousand euros were available as at 31 December (Note 12.b). The Company also has the capital and financial support of its equity holders.

### Consolidated financial statements

Fomento de Construcciones y Contratas, S.A. is the head of a group of companies forming FCC Group, so its directors are obliged to prepare separate consolidated financial statements. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS-EU), as set forth in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and all enacting provisions and interpretations. The 2022 consolidated financial statements of the FCC Group, which have been prepared by its directors, will likewise be submitted for approval at the General Shareholders' Meeting. For its part, the consolidated financial statements for 2021, prepared on 23 February 2022, were approved by the General Shareholders' Meeting held on 14 June 2022 and deposited in the Mercantile Registry of Barcelona.

The main figures of the consolidated financial statements of Fomento de Construcciones y Contratas, S.A., prepared in accordance with International Financial Reporting Standards (IFRS) are as follows:

	2022	2021
Total assets	15,282,541	14,242,158
Equity attributable to the Parent	3,387,882	3,007,094
Revenue	7,705,687	6,659,283
Profit attributable to the Parent	315,182	580,135

### Restatements

No restatements were made in the current financial statements.

### 3. - DISTRIBUTION OF PROFIT

The Board of Directors of Fomento de Construcciones y Contratas, S.A. decided to make the mandatory allocation of profit to the legal reserve in the amount of 2,634 thousand euros, allocating the remaining profit for 2022 of 43,233 thousand euros to retained earnings; accordingly, it was not proposed to distribute or apply this profit to any other account.

In 2021, the Company made a profit of 274,497 thousand euros, broken down as follows: 3,213 thousand euros to the legal reserve and 271,284 thousand euros to voluntary reserves. After the preparation of these financial statement, the Ordinary General Shareholders' Meeting approved the distribution of a scrip dividend with an impact on voluntary reserves of 25,745 thousand euros (note 10).

#### **4. - RECOGNITION AND MEASUREMENT STANDARDS**

The main recognition and measurement bases used by the company in the preparation of the 2022 financial statements, in accordance with the Spanish General Chart of Accounts, were as follows:

##### **a) Intangible assets**

###### **a.1) Concession arrangements**

Concession arrangements are recognised pursuant to Order EHA/3362/2010, approving the rules for adapting the Spanish General Chart of Accounts to public infrastructure concessionary companies.

The Company has assets classified as concession agreements corresponding to assets from contracts operated jointly through temporary joint ventures, all of which are intangible assets under the intangible asset model, given that the demand risk is assumed by the concessionary company and this company does not have an unconditional entitlement to receive anything from the granting authority.

###### **a.2) Other intangible assets**

The remaining intangible assets, basically software applications, are recognised at their acquisition or production cost And, subsequently, at cost less any accumulated amortisation and any accumulated impairment losses. At year-end, no signs of losses in value were identified in any of the company's intangible assets related with this epigraph.

Maintenance costs are recognised in the income statement for the period in which they are incurred.

Generally, intangible assets are amortised over their useful lives on a straight-line basis.

##### **b) Property, plant and equipment**

Items of property, plant and equipment are measured initially at acquisition or production cost when the company has performed in-house work on its non-current assets, and are subsequently carried net of accumulated depreciation and any impairment losses. Upkeep and maintenance costs relating to property, plant and equipment are taken to the statement of profit and loss in the business year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

For property, plant and equipment that necessarily takes a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other specific-purpose or general purpose borrowings directly attributable to the acquisition or manufacturing of the assets.

The company's in-house work on property, plant and equipment is recorded at the accumulated cost resulting from external costs, in-house costs determined on the basis of the in-house consumption of materials, direct labour costs and general manufacturing overheads.

The Company depreciates essentially all of its property, plant and equipment on a straight-line basis, using annual rates based on the years of estimated useful life of the assets, as follows:

	<b>Years of estimated useful life</b>
Buildings and other constructions	25 - 50
Technical installations and machinery	5 - 15
Other installations, tools and furniture	8 - 12
Other property, plant and equipment	4 - 10

### **c) Impairment of intangible assets and property, plant and equipment**

All of the company's intangible assets and property, plant and equipment have a finite useful life and it therefore performs impairment tests to estimate the possible existence of losses that cause their recoverable amount to fall below their carrying amount.

Recoverable amount is determined as the greater of fair value less costs to sell and value in use. To calculate the recoverable amount of assets subject to impairment tests, the present value of the net cash flows originating from the associated cash-generating units (CGUs) is estimated, and a pre-tax discount rate is used to discount cash flows; this discount rate includes the current market assessments of the time value of money and the risks specific to each cash-generating unit.

Where an impairment loss on the assets is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, up to the limit of the carrying amount that would have been determined had no impairment loss been recognised in prior business years. The reversal of an 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 of the risks and rewards incidental to ownership of the leased asset to the lessee. Other leases are classified as operating leases. All leases contracted by the Company are classified as operating leases.

When the company acts as lessee, it recognises the expenses from operating leases in profit or loss in the business year in which they accrue.

When the company acts as lessor, revenue and expenses from operating leases are recognised in profit or loss in the year in which they accrue. The acquisition cost of the leased asset is presented in the balance sheet in accordance with the nature of the asset, increased by the amount of the investments arising from the directly attributable lease arrangements, which are expensed over the term of such arrangements, using the same method as applied for recognition of lease income.

Any collection or payment that may arise when an operating lease is concluded is treated as a collection or prepayment that is allocated to profit or loss over the leasing term as the benefits of the leased asset are transferred or received.

#### e) Financial instruments

##### e.1) Financial assets

##### Classification

The financial assets held by the Company are classified in the following categories:

1. Financial assets at amortised cost. In general, the following fall into this category:
  - Credits for commercial operations: financial assets originating from the sale of goods and the provision of services from the Company's ordinary business subject to deferred payment.
  - Credits for non-commercial operations: those financial assets that, not being equity instruments or derivatives, have no commercial origin and whose collections are of a determined or determinable amount, which come from loan or credit operations granted by the Company

Financial assets classified in this category are initially measured at their fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration given, plus the transaction costs that are directly attributable.

However, loans for commercial operations maturing in no more than one year and that do not have an explicit contractual interest rate, as well as loans to personnel, dividends receivable and disbursements required on equity instruments, the amount of which is expected to be received in the short term, are measured at their nominal value when the effect of not updating the cash flows is not significant.

For subsequent measurement, the amortised cost method is used. Accrued interest is recorded in the income statement (financial income), applying the effective interest rate method.

2. Financial assets at fair value through changes in equity: investments in equity instruments are included, provided that they are not held for trading or should be valued at cost.

Financial assets classified in this category are initially measured at their fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration given, plus the transaction costs that are directly attributable.

The subsequent measurement is at fair value, without deducting the transaction costs that could be incurred in its sale. Changes that occur in the fair value are recognised directly in equity, until the financial asset is removed from the balance sheet or is impaired, whereupon the amount thus recognised is charged to the income statement

3. Financial assets at cost: includes investments in Group companies, associates and jointly controlled entities. Group companies are considered to be those over which the Company has control, while associates are those in which the Company exercises a significant influence. Jointly controlled entities include companies over which joint control is exercised with one or more partners through an agreement.

The investments included in this category are initially measured at cost, which is equal to the fair value of the consideration given plus the transaction costs that are directly attributable to them.

The subsequent measurement is also at cost less the accumulated amount of the valuation corrections for impairment. These adjustments are calculated as the difference between their book value and the recoverable amount, understood as the greater of their fair value minus selling costs and the present value of the future cash flows resulting from the investment. Unless better evidence of the recoverable amount is available, the estimated loss for impairment is calculated based on the investee's equity, consolidated where appropriate, corrected for any unrealised gains at the measurement date, including any goodwill.



At least at the end of each reporting period, the company books the related impairment loss allowances for financial assets that are not carried at fair value when there is objective evidence of impairment if this value is lower than its carrying amount, in which case, the impairment is recognised in the income statement. In particular, the company calculates impairment loss allowances for trade and other receivables by carrying out a case-by-case analysis of the insolvency risk of each account receivable.

The Company derecognises financial assets when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership have been transferred.

#### e.2) Financial liabilities

All financial liabilities held by the Company are classified in the category of financial liabilities at amortised cost.

Financial liabilities are those payables and accounts payable that the Company has and that have resulted from the purchase of goods and services as a result of the Company's trade transactions, or those that, without having a commercial origin, cannot be considered as financial instruments.

Financial liabilities classified in this category are initially measured at their fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration given, adjusted by the transaction costs that are directly attributable.

Accounts payable are initially measured at the fair value of the consideration received. These financial liabilities are subsequently measured at amortised cost.

Borrowing costs are recognised on an accrual basis in the income statement using the effective interest method and are added to the amount of the instrument to the extent that they are not settled in the year in which they arise.

Bank borrowings and other current and non-current financial liabilities maturing within no more than twelve months from the balance sheet date are classified as current liabilities and those maturing within more than twelve months as non-current liabilities.

The Company derecognises financial liabilities when the obligations giving rise to them are extinguished.

#### e.3) Equity instruments

An equity instrument represents a residual interest in the company's equity after deducting all of its liabilities from its assets, and the securities issued are recognised in equity at the amount received, after deducting the issue charges, net of taxes.

Own shares acquired by the company during the business year are recognised at the value of the consideration paid and are deducted directly from equity. Any gains or losses on the purchase, sale, issue or redemption of own equity instruments are recognised directly in equity and never in the income statement.

#### **f) Foreign currency transactions**

The Company's functional currency is the euro. Consequently, transactions in other currencies are considered to be denominated in foreign currency and are translated at the exchange rates prevailing at the transaction date.

At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the closing exchange rate. Profits or losses are directly recorded in the income statement in the business year in which occur.

#### **g) Corporation tax**

The expense for corporation tax is calculated on the basis of profit before tax, increased or decreased, as appropriate, by the permanent differences between taxable profit and accounting profit. The corresponding tax rate based on the applicable legislation is applied to this adjusted accounting profit. The tax relief and tax credits earned in the year are deducted and the positive or negative differences between the estimated tax charge calculated for the prior year's accounting close and the subsequent tax settlement at the payment date are added to or deducted from the resulting tax charge.

The temporary differences between accounting profit and taxable profit for corporation tax purposes, together with the differences between the carrying amounts of assets and liabilities recognised in the balance sheet and their tax bases, give rise to deferred taxes that are recognised as non-current assets and liabilities. These amounts are measured at the tax rates that are expected to apply in the business years in which they will foreseeably be reversed, without performing financial discounting at any time.

The Company recognises deferred tax assets corresponding to temporary differences, negative tax bases pending compensation or deductions pending application for which it is likely that the Tax Group will have future taxable profits that make it possible to recover these assets. To calculate the value of deferred tax assets, the Directors estimate the amounts and dates on which future taxable profits will be obtained and the reversal period for temporary differences.

#### **h) Revenue and expenses**

Income and expenses are allocated on an accrual basis, i.e. when the actual flow of goods and services they represent takes place, regardless of when the resulting monetary or financial flow occurs. Revenue is measured at the fair value of the consideration received, less discounts and tax.

The main income recognised by the Company corresponds to income from subsidiaries, both from the provision of services and dividends and financial income. As a result of the publication in 2009 by the ICAC of a consultation relating to the accounting recognition of income from holding companies, "Income from investments in Group companies and associates" and "Finance income from marketable securities and other financial instruments of Group companies and associates" are recognised under "Revenue" in the accompanying income statement.

Interest received on financial assets is recognised using the effective interest method, while dividends are recognised when the shareholder's right to receive payment has been established. In any case, interest and dividends on financial assets accrued subsequent to acquisition are recorded as income in the income statement.

In keeping with the accounting principle of prudence, the company only recognises realised income at year-end, whereas foreseeable contingencies and losses, including possible losses, are booked as soon as they become known, through the posting of the appropriate provisions.

#### **i) Provisions and contingencies**

The company recognises provisions on the liability side of the accompanying balance sheet for present obligations arising from past events for which the company considers it probable that there will be an outflow of funds to settle them on maturity

These provisions are recognised when the related obligation arises and the amount recognised is the best estimate, at the date of the accompanying financial statements, of the present value of the future expenditure required to settle the obligation. The change in the year relating to the discount to present value has an impact on financial profit/(loss).

Provisions 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.

Contingent liabilities resulting from possible obligations that might arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the company are not recognised in the financial statements, as the probability that such obligation will have to be met is remote.

**j) Capital assets of an environmental nature**

Environmental assets are assets that are used on a lasting basis in the Company's activities, the main purpose of which is to minimise environmental impact and to protect and improve the environment, including the reduction or elimination of future pollution.

The Company, due to its nature and activity, (Note 1) does not have a significant environmental impact.

**k) Pension and similar obligations**

The Company has not established any pension plans to supplement the social security pension plans. Under the Consolidated Pension Plans and Pension Funds Law, in those specific cases in which similar obligations exist, the company outsources its commitments to its employees in this area.

Contributions made by the company are recognised under "Staff expenses" in the income statement.

**l) Use of estimates**

In the preparation of these financial statements, estimates were made by the company's directors to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The recoverability of deferred tax assets (Notes 4.g and 15).
- The recoverability of investments in Group companies and associates, and loans and receivables with these, as well as financial assets with third parties (notes 4.e, 8 and 9).
- The measurement of possible impairment losses on certain assets (notes 4.c, 5 and 6).
- The useful life of property, plant and equipment and intangible assets (notes 4.a and 4.b).
- The calculation of certain provisions (Notes 4.i and 11).

Although these estimates were drawn up on the basis of the best information available as at 31 December 2022, future events may require adjustments in coming years, where appropriate to be made in advance.

### m) Related party transactions

The Company carries out all transactions with related parties at arm's length.

Note 18 "Related party transactions and balances" to these financial statements details the main transactions with the company's significant shareholders, its directors and senior executives, and between Group companies or entities.

### n) Cash flow statement

The following terms are used in the statement of cash flows with the meanings specified:

- Cash flows: cash entries and withdrawals and their equivalents.
- Cash flows from operating activities: payments and collections from the company's principal revenue-producing activities and other activities that are not classified as investing or financing activities.
- Cash flows used in investing activities: payments and collections resulting from purchases and divestments of non-current assets.
- Cash flows from financing activities: payments and collections from the placement and settlement of financial liabilities, equity instruments and dividends.

## 5. - INTANGIBLE ASSETS

Changes in this heading in the accompanying balance sheet in 2022 and 2021 were as follows:

	Concession agreements	Software	Other intangible assets	Accumulated amortisation	Total
<b>Balance at 31.12.20</b>	<b>53</b>	<b>51,515</b>	<b>11</b>	<b>(44,381)</b>	<b>7,198</b>
Receipts or endowments	—	1,777	1,122	(2,392)	507
Release, removals and transfers	—	—	(7)	7	—
<b>Balance at 31.12.21</b>	<b>53</b>	<b>53,292</b>	<b>1,126</b>	<b>(46,766)</b>	<b>7,705</b>
Receipts or endowments	—	1,353	563	(2,449)	(533)
Release, removals and transfers	—	—	(1,676)	—	(1,676)
<b>Balance at 31.12.22</b>	<b>53</b>	<b>54,645</b>	<b>13</b>	<b>(49,215)</b>	<b>5,496</b>

The balance for "Software applications" relates mainly to implementation, development and improvement costs for the corporate information system, and costs related to information technology infrastructure.

The detail of intangible assets and of the related accumulated amortisation at 31 December 2022 and 2021 is as follows:

	Cost	Accumulated amortisation	Net
<u>2022</u>			
Concession agreements	53	(25)	27
Software	54,645	(49,184)	5,461
Other intangible fixed and non-current assets	13	(6)	7
	<b>54,711</b>	<b>(49,215)</b>	<b>5,496</b>
<u>2021</u>			
Concession agreements	53	(24)	29
Software	53,292	(46,739)	6,553
Other intangible fixed and non-current assets	1,126	(3)	1,123
	<b>54,471</b>	<b>(46,766)</b>	<b>7,705</b>

With regard to net intangible assets, only 28 thousand euros (30 thousand euros at 31 December 2021) relate to assets arising from arrangements operated jointly through joint ventures.

All intangible assets at year-end were used in production processes; however, some such intangible assets, basically software applications, had been fully amortised, in the amount of 43,121 thousand euros (40,773 thousand euros at 31 December 2021). The amount corresponding to joint ventures was insignificant.

At 31 December 2022, the company did not own any significant intangible assets pledged as security or purchase commitments of a significant amount.

## 6. - PROPERTY, PLANT AND EQUIPMENT

Changes in this heading in the accompanying balance sheet in 2022 and 2021 were as follows:

	Land and buildings	Other intangible assets		Accumulated amortisation	Impairment	Total
		Plant and other items of property, plant and equipment	Advances and PP&E under construction			
<b>Balance at 31.12.20</b>	<b>17,843</b>	<b>34,401</b>	<b>133</b>	<b>(17,040)</b>	<b>(5,088)</b>	<b>30,249</b>
Receipts or endowments	—	639	326	(3,252)	—	(2,287)
Release, removals and transfers	—	(6)	—	6	—	—
Transfers	—	60	(60)	—	—	—
<b>Balance at 31.12.21</b>	<b>17,843</b>	<b>35,094</b>	<b>399</b>	<b>(20,286)</b>	<b>(5,088)</b>	<b>27,962</b>
Receipts or endowments	—	941	1,130	(3,269)	—	(1,198)
Release, removals and transfers	—	(6)	—	4	—	(2)
Transfers	—	1,529	(1,529)	—	—	—
<b>Balance at 31.12.22</b>	<b>17,843</b>	<b>37,558</b>	<b>—</b>	<b>(23,551)</b>	<b>(5,088)</b>	<b>26,762</b>

The detail of property, plant and equipment and of the related accumulated depreciation at 31 December 2022 and 2021 is as follows:

	Cost	Accumulated amortisation	Impairment	Net
<u>2022</u>				
Land and buildings	17,843	(1,037)	(5,088)	11,718
Plant and other items of property, plant and equipment	37,558	(22,514)	—	15,044
	<b>55,401</b>	<b>(23,551)</b>	<b>(5,088)</b>	<b>26,762</b>
<u>2021</u>				
Land and buildings	17,843	(990)	(5,088)	11,765
Plant and other items of property, plant and equipment	35,094	(19,296)	—	15,798
Advances and PP&E under construction	399	—	—	399
	<b>53,336</b>	<b>(20,286)</b>	<b>(5,088)</b>	<b>27,962</b>

The company owns buildings, whose value separated from the net depreciation of said buildings and the value of land, at year-end, was as follows:

	2022	2021
Land	10,500	10,500
Buildings	1,218	1,265
	<b>11,718</b>	<b>11,765</b>

At the end of the 2022 and 2021 business years there are no significant assets from contracts operated jointly through joint ventures.

In the 2022 and 2021 business years, the company had not capitalised any finance costs under “Property, plant and equipment”. It did not have any significant commitments to acquire property, plant and equipment. It also has no assets subject to significant ownership restrictions.

Most of the items of property, plant and equipment, at the closing date, are used in the various production processes. Part of said property, plant and equipment, however is fully depreciated, amounting to 3,942 thousand euros (3,446 thousand euros at 31 December 2021).

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At year-end, all items of property, plant and equipment had been fully insured against these risks.

## 7. - LEASES

As explained in Note 4.d, all the leases contracted by the Company are classified as operating leases.

The amount recognised in the 2022 business year for operating lease expenses totalled 10,721 thousand euros (10,743 thousand euros at 31 December 2021).

Noteworthy among the operating lease arrangements signed by Fomento de Construcciones y Contratas, S.A., due to their size, were those relating to FCC Group’s corporate headquarters:

- Office building in Las Tablas, Madrid.

On 19 November 2010, the owner and the Company signed a lease agreement on this building, with the rental arrangement beginning, once the building had been completed, on 23 November 2012. This arrangement has an 18-year term, extendable at the company’s discretion by two periods of five years each, with annual rent adjusted annually in line with the CPI.

On 21 September 2018, a non-extinguishing modifying Addendum to the original agreement was signed with the new owner, “Las Tablas 40 Madrid, S.L.U.”. The modified terms and conditions mainly lead to a 5.6% reduction in rent and the possibility of sub-letting to third parties without the consent of the owner, provided that certain requirements are met.



- Office buildings at Federico Salmón 13, Madrid and Balmes 36, Barcelona.

On 29 December 2011, the owners of these buildings and Fomento de Construcciones y Contratas, S.A. had signed two lease agreements for them, for a minimum committed period of 30 years, extendable, at the company's discretion, by two periods of five years each, with initial annual rent adjustable in line with the CPI. These buildings were transferred by the company to their current owner through a sale and leaseback arrangement. The owners, in turn, granted a purchase option to Fomento de Construcciones y Contratas, S.A., which can only be exercised at the end of the lease period, at fair value or at the amount of the sale adjusted by the CPI, if this is higher.

On 1 June 2016, the company ceded its contractual position to Fedemes, S.L., wholly owned by it, which signed sub-lease agreements with the FCC Group companies that occupied the buildings, including Fomento de Construcciones y Contratas, S.A., with the same duration conditions as the original arrangement as indicated previously.

At year-end, there were non-cancellable future payment commitments amounting to 110,552 thousand euros (138,639 thousand euros in 2021). Details, by maturity, of the non-cancellable future minimum payments at 31 December 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Up to one year	10,224	10,786
Between one and five years	39,921	41,570
After five years	60,407	86,283
	<b>110,552</b>	<b>138,639</b>

As the lessor, when it is the holder of the lease arrangements, the company invoices FCC Group investees based on the use they make of such arrangements, recognising such revenue as operating income.

## **8. - CURRENT AND NON-CURRENT FINANCIAL ASSETS**

### **a) Long-term financial investments**

The balance of "Non-current financial assets" at 2022 and 2021 year-end is as follows:

	Equity instruments	Loans to third parties	Other financial assets	Total
<u>2022</u>				
Financial assets at amortised cost	—	1,488	18,845	20,333
Financial assets at fair value through changes in equity	81	—	—	81
	<b>81</b>	<b>1,488</b>	<b>18,845</b>	<b>20,414</b>
<u>2021</u>				
Financial assets at amortised cost	—	1,488	21,349	22,837
Financial assets at fair value through changes in equity	106	—	—	106
	<b>106</b>	<b>1,488</b>	<b>21,349</b>	<b>22,943</b>

#### Financial assets at amortised cost

The detail by maturity of this category of financial assets is as follows:

2024	2025	2025	2027	2028 and beyond	Total
—	—	—	—	20,333	20,333

The most significant amount recognised was for the 15,062 thousand euros deposit (17,555 thousand euros at 31 December 2021), in relation to the sale of Global Vía Infraestructuras, S.A., formalised in the 2016 business year, the maturity of which was “2028 and beyond” in view of its indeterminate nature, since it was tied to the release of the collateral provided by the aforementioned company to third parties to meet financial commitments. This heading also includes guarantees and deposits for legal or contractual obligations in the development of the company’s activities.

#### Financial assets at fair value through changes in equity

Virtually all of this corresponds to a 17.80% holding in the company Port Torredembarra S.A. for a value of 81 thousand euros (106 thousand euros at 31 December 2021).

## b) Short-term financial investments

The balance of “Current financial assets” at 2022 and 2021 year-end is as follows:

	<b>Other financial assets</b>
<u>2022</u>	
Financial assets at amortised cost	1,203
Financial assets at fair value	2,441
Movements in the profit and loss statement	3,644
	<b>3,644</b>
<u>2021</u>	
Financial assets at amortised cost	6,173
	<b>6,173</b>

In 2022, the balance of this heading includes the amount receivable for an adjustment in the sale price of FCC Aqualia, S.A. formally arranged in 2018, for 2,441 thousand euros (Note 17). In 2021, this included the amount receivable pending for the sale of the investee company FM Green Power, SL for 5,000 thousand euros and which is detailed in Note 9.a to these Financial Statements. The rest corresponds to guarantees and deposits for legal or contractual obligations.

## 9. - INVESTMENTS AND PAYABLES TO GROUP COMPANIES AND ASSOCIATES

### a) Non-current investments in Group companies and associates

The detail of the non-current investments in group companies and associates at 31 December 2022 and 2021 is as follows:

	Cost	Accumulated impairment	Total
<u>2022</u>			
Equity instruments in Group companies	4,060,089	(1,061,600)	2,998,489
Equity instruments of associates	4,367	—	4,367
Loans to Group companies	444,049	(28,640)	415,409
Loans to associates	—	—	—
	<b>4,508,505</b>	<b>(1,090,240)</b>	<b>3,418,265</b>
<u>2021</u>			
Equity instruments in Group companies	4,059,952	(984,427)	3,075,525
Equity instruments of associates	4,744	(118)	4,626
Loans to Group companies	432,203	(37,586)	394,617
Loans to associates	24	—	24
	<b>4,496,923</b>	<b>(1,022,131)</b>	<b>3,474,792</b>

Details of changes in these epigraphs is as follows:

	Equity instruments of Group companies	Equity instruments of associates	Loans to Group companies	Loans to associates	Impairment	Total
<b>Balance at 31.12.20</b>	<b>4,129,025</b>	<b>261,834</b>	<b>416,868</b>	<b>24</b>	<b>(1,491,972)</b>	<b>3,315,779</b>
Receipts or endowments	2,667	—	13,383	—	(88,205)	(72,155)
Disposals and reversals	(71,740)	(257,090)	(15,508)	—	558,046	213,708
Transfers	—	—	17,460	—	—	17,460
<b>Balance at 31.12.21</b>	<b>4,059,952</b>	<b>4,744</b>	<b>432,203</b>	<b>24</b>	<b>(1,022,131)</b>	<b>3,474,792</b>
Receipts or endowments	137	—	11,617	1	(193,277)	(181,522)
Disposals and reversals	—	(377)	(1,542)	—	125,168	123,249
Transfers	—	—	1,771	(25)	—	1,746
<b>Balance at 31.12.22</b>	<b>4,060,089</b>	<b>4,367</b>	<b>444,049</b>	<b>—</b>	<b>(1,090,240)</b>	<b>3,418,265</b>

#### Equity instruments in Group companies

It is worth noting that in 2022, shares were acquired in Cementos Portland Valderrivas, S.A. from third parties for the value of 137 thousand euros.

The following significant changes occurred in the 2021 business year:

- Acquisition of stakes in Cementos Portland Valderrivas, S.A. from third parties for an amount of 2,667 thousand euros.
- Retirement due to liquidation of the 100%-owned company Per Gestora, S.L.U. with a net value of the investment of 91 thousand euros (gross value of 71,553 thousand euros with an accumulated impairment of 71,462 thousand euros)

- Derecognition due to liquidation of the 100%-owned company Bvefdomintaena Beteiligungsverwaltung GmbH with a portfolio value of 185 thousand euros totally impaired. In addition, the liquidation also involved the cancellation of a current loan to the aforementioned company for 11,562 thousand euros, also fully impaired.
- Decrease in the stake in the investee company FCyC, S.A. from 100% to 80.03%, without any impact on portfolio value. In October 2021, the aforementioned company carried out a non-monetary capital increase, fully subscribed by Soimob, a subsidiary of Control Empresarial de Capitales, S.A. de C.V. Consequently, Soimob became the owner of 19.97% of the share capital of FCyC, S.A.

The details, by company, of the "Investments in Group companies and associates" headings for 2022 and 2021 are presented in Annexes I and III, respectively, indicating the following details for each company in which direct ownership interests are held: name, registered office, activity, share of capital directly or indirectly owned, amount of equity (capital, reserves and others), profit or loss, dividends received, together with its carrying amount.

Furthermore, as at 31 December 2022 and 2021, none of the companies in which Fomento de Construcciones y Contratas, S.A. has a direct holding is listed on the stock market.

#### Equity instruments of associates

In 2022, Sigenera, S.L. (50% holding) was removed after it was wound up with a net investment value of 259 thousand euros (gross value of 377 thousand euros with accumulated impairment of 118 thousand euros), generating losses of 69 thousand euros, reflected in "Impairment and gains on disposal of equity instruments".

In 2021, the most significant movement was the sale of 49% of the company FM Green Power, Investments, S.L. and its group of companies to Plenium Partners, S.L. The aforementioned stake had a net value of 16,463 thousand euros at 31 December 2020 (gross value of 257,090 thousand euros with accumulated impairment of 240,627 thousand euros). Fomento de Construcciones y Contratas, SA received a total of 93,000 thousand euros and a current asset of 5,000 thousand euros for the amount pending collection as at 31 December 2021, which was paid on 31 May 2022 (Note 8 .b). The divestment was divided into several processes (i) settlement of the dividend pending collection at 31 December 2020 for 26,410 thousand euros, (ii) distribution of dividends against reserves and profit for the year of 26,075 thousand euros (iii) sale of the FM stake Green Power Investments, S.L. for a total of 45,515 thousand euros. The impact on the 2021 income statement is reflected in two headings: 26,075 thousand euros included under the heading "Income from holdings in Group companies and associates" and 29,052 thousand euros under the heading "Impairment and gains on disposal of equity instruments".

### Long-term loans to Group companies

The most significant balances were as follows:

	<b>2022</b>	<b>2021</b>
FCC Servicios Medio Ambiente Holding, S.A.U.	370,515	359,687
FCC Versia, S.A.U.	45,000	45,000
FCC Concesiones e Infraestructuras, S.L.	28,473	27,481
Rest	61	35
<b>GROSS TOTAL</b>	<b>444,049</b>	<b>432,203</b>
Impairment:		
FCC Versia, S.A.U.	(28,640)	(37,586)
<b>NET TOTAL</b>	<b>415,409</b>	<b>394,617</b>

The following are noteworthy with regard to the balance at 31 December 2022:

- Subordinated loans granted to FCC Servicios Medio Ambiente Holding, S.A.U. for a total of 345,203 thousand euros, whose final maturity is 2034, without partial repayments and at a fixed interest rate of 2.5% per year that will be capitalised. Any amount, whether interest or principal, to be collected by the lender will be subordinated to the full repayment of the bonds issued by the borrower. At year-end, the final balance, including capitalised interest, was 370,515 thousand euros. The interest accrued in the current year amounts to 9,082 thousand euros (8,860 thousand euros at 31 December 2021).
- Participative loan of 45,000 thousand euros to FCC Versia, S.A.U. The initial maturity, 31 January 2018, could be tacitly extended for successive additional two-year periods, provided that neither of the parties stated their wish to terminate it at least two months in advance. Since neither of the parties did this, its current maturity date is 31 January 2024. It is therefore classified under non-current assets in the balance sheet. The fixed interest rate is 1%. The interest rate also has a variable part calculated based on indicators of the borrower's profitability. The total maximum interest rate (fixed + variable) has a ceiling and will not exceed 10%. At year-end, interest of 450 thousand euros had accrued (the same as at 31 December 2021). This loan suffered impairment of 28,640 thousand euros at 31 December 2022 (37,586 thousand euros at 31 December 2021).

- Loan granted to FCC Concesiones de Infraestructuras, S.A.U. for an amount of 20,568 thousand pounds sterling (23,190 thousand euros at the closing exchange rate), to help a subsidiary within the framework of the concession for the construction, financing, operation and maintenance of the A-465 road in Wales (UK). The concession has two phases: (i) Construction from 29 October 2020 to 31 October 2025 and (ii) Operation from 1 November 2025 to 30 September 2055. The repayment of the aforementioned loan will begin at the beginning of the second phase provided there is a cash surplus and all accrued interest has been paid and, in any case, at the end of the operation phase. The aforementioned loan accrues interest (3.419% and 12% in the first and second phases, respectively). Interest accrued is not capitalised and will be paid once the second phase begins. At 31 December 2022, the aforementioned interest amounted to 5,283 thousand euros, of which 2,534 thousand euros had been generated in the current year.

#### Impairment

The following significant changes occurred in the 2022 business year:

- Impairment of the holding in Cementos Portland Valderrivas, S.A. of 192,666 thousand euros essentially resulting from a reduction in equity as a result of impairment to the goodwill of Uniland (85,174 thousand euros in 2021, also mainly for the same reason).
- Reversal of the impairment of the investment in FCC Construcción, S.A. for the sum of 116,105 thousand euros, mainly on account of the improvement in the ordinary results of its activity. In 2021, 245,687 thousands of euros were reversed due to factors including but not limited to the gains generated on the sale of Cedinsa Group.

Concerning 2021, in addition to the impairment mentioned in the above paragraph, the following is worth noting:

- Reversal of the accumulated impairment of Per Gestora, S.L.U. for an amount of 71,462 thousand euros, due to the liquidation of the company (see section on Equity instruments of Group companies in this same note).
- Reversal of the impairment of FM Green Power Investments, S.L., in the amount of 240,627 thousand euros, due to the sale of the aforementioned company (see section on Equity instruments of associates in this same note).

#### **b) Current investments in Group companies and associates**

This section includes mainly the loans and other non-trade credits granted to Group companies and associates, among others, in line with certain specific cash situations, as well as other temporary financial assets, measured at the lower of cost or market value, increased by interest earned at a market rate. It also includes the balances generated by tax effects with the subsidiary companies in the tax consolidation group, as well as outstanding dividends.

The most significant balances in this regard were as follows:

	<b>2022</b>	<b>2021</b>
FCyC, S.A.	119,267	32,258
Realia Business, S.A.	70,080	120,000
FCC Environmental Services Texas, LLC	4,231	—
FCC Servicios Medio Ambiente Holding S.A.U.	2,921	21,592
Fedemes, S.L.U.	437	21,054
Cementos Portland Valderrivas, S.A.	—	11,980
Rest	2,516	1,529
	<b>199,452</b>	<b>208,413</b>

In 2022, the granting of a loan to the FCyC, S.A. Group company for an amount of 126,500 thousand euros, with annual maturity and an interest rate tied to Euribor plus a spread, with the potential for repayment in instalments, was worth particular mention. At year-end, the outstanding balance of the aforementioned loan amounted to 118,208 thousand euros.

In relation to 2021, the granting of a loan to the Realia Business, S.A. Group company for an amount of 120,000 thousand euros, with annual maturity and an interest rate tied to Euribor plus a spread, also with the potential for repayment in instalments, was worth particular mention. In 2022, repayments were made against the aforementioned loan for the sum of 50,000 thousand euros, bringing the outstanding balance at the end of the financial year to 70,000 thousand euros.

### c) Non-current payables to Group companies and associates

The balance at 31 December 2022 (same as at 31 December 2021) corresponds in its entirety to the loan that FCC Aqualia, S.A. has granted to the Company, in accordance with the following conditions:

- Loan amount: 806,479 thousand euros
- Maturity: 28 September 2048.
- Interest periods: annual periods, except the final period which will end on 28 September 2048.
- Interest rate: 3.55%.
- Payment of annual interest when the borrower and its subsidiary companies, excluding the FCC Aqualia subgroup, hold “available cash” at 30 September which is not less than the amount of the accrued interest. Any unpaid matured interest will be capitalised and accrue interest, as regulated in article 317 of the Code of Commerce.
- Collateral: the guarantees mentioned in note 16 continued to be granted.

The aforementioned loan has accrued interest of 29,028 thousand euros in the business year (same amount as at 31 December 2021).



#### d) Current payables to Group companies and associates

Payables to Group and associated companies include loans received by the Company which are remunerated at market prices, as well as the balances generated by the tax effect with the subsidiary companies of the tax consolidation group. The most significant balances on the liabilities side of the accompanying balance sheet are as follows:

	2022	2021
Asesoría Financiera y de Gestión, S.A.U.	300,570	305,519
FCC Construcción, S.A.	30,122	87,110
FCyC, S.A.	25,697	23,017
Fedemes, S.L.U.	22,108	43,861
Cementos Portland Valderrivas, S.A.	11,370	10,518
Rest	23,191	18,023
	<b>413,058</b>	<b>488,048</b>

The most significant amount in both years was the amount corresponding to Asesoría Financiera y de Gestión, S.A. for the sum of 300,570 thousand euros (305,519 thousand euros as at 31 December 2021). In 2015, cash pooling contracts were signed between the aforementioned company and FCC Group companies, including the Parent Fomento de Construcciones y Contratas, S.A., whereby financial movements are channelled through said subsidiary.

#### 10.- EQUITY

The Ordinary General Shareholders' Meeting held on 14 June 2022 adopted resolutions including but not limited to the following:

##### 1. Distribution of a scrip dividend

Implemented through the issuance of new common shares with a nominal value of 1 euro each, with no issue premium, of the same class and series as those in circulation, charged to reserves. This resolution also included an offer by the company to acquire the free allocation rights at a guaranteed price.

At its meeting on 14 June 2022, following the General Shareholders' Meeting, the Board of Directors of Fomento de Construcciones y Contratas, S.A. resolved to execute the scrip dividend distribution resolution adopted by the Shareholders' Meeting, the most significant characteristics of which are described below:

- Maximum value of the scrip dividend: 170,069,454.40 euros, equivalent to 0.40 euros per share.

- Shareholders received the corresponding allocation rights and could choose between three options: receiving the new shares released, transferring their rights in the market or selling their rights to the company for the guaranteed price of 0.40 euros per share.
- The number of free allotment rights required to receive a new share was set at 28. Shareholders who chose this option also received a compensatory cash dividend of 0.493 euros for each new bonus share received, to make this financially equivalent to transferring their rights to the company.
- At the end of the trading period of the free-of-charge allocation rights on 4 July 2022, holders of 416,397,716 (97.94%) rights opted to receive new shares, while shareholders holding 8,775,898 rights opted to accept the Company's offer to acquire their rights at a guaranteed price. Accordingly, the final number of 1 euro bonus shares issued was 14,871,347 shares, corresponding to 3.50% of the capital stock prior to the increase, resulting in a cash outflow for the compensatory dividend, as well as for the rights acquired by the Company of 10,783 thousand euros.
- On 11 July 2022, the public deed to increase the Company's paid-up capital with a charge to voluntary reserves was registered at the Barcelona Mercantile Registry.

In addition, at the Ordinary General Shareholders' Meeting held on 29 June 2021, a decision was taken to distribute a scrip dividend, with the following characteristics:

- Maximum value of the scrip dividend: 163,642,647.20 euros, equivalent to 0.40 euros per share.
- Shareholders received the corresponding allocation rights and could choose between three options: receiving the new shares released, transferring their rights in the market or selling their rights to the company for the guaranteed price of 0.40 euros per share.
- The number of free allotment rights required to receive a new share was set at 25. Shareholders who chose this option also received a compensatory cash dividend of 0.416 euros for each new bonus share received, to make this financially equivalent to transferring their rights to the company.
- At the end of the trading period for the free allocation rights, on 20 July 2021, holders of 401,675,483 (98.18%) rights had chosen to receive new shares, while shareholders holding 7,431,135 rights had opted to accept the Company's offer to acquire their rights at the guaranteed price. Accordingly, the final number of bonus shares with a par value of 1 euro issued was 16,067,018 shares, corresponding to 3.93% of capital stock prior to the increase, resulting in a cash outflow for the compensatory dividend, as well as for the rights acquired by the Company of 9,631 thousand euros.

The following table shows the effect of distribution of the scrip dividend on the equity of Fomento de Construcciones y Contratas, S.A., in both business years:

	2022	2021
Capital stock increase	14,871	16,067
<b>Share capital</b>	<b>14,871</b>	<b>16,067</b>
Capital stock increase	(14,871)	(16,067)
Costs, net of tax	(91)	(90)
Acquisition rights at guaranteed price	(3,510)	(2,972)
Compensatory dividend	(7,273)	(6,659)
<b>Voluntary reserves</b>	<b>(25,745)</b>	<b>(25,788)</b>
<b>Change in equity</b>	<b>(10,874)</b>	<b>(9,721)</b>

## 2. Reduction of share capital through the redemption of treasury stock

The Ordinary General Shareholders' Meeting held on 14 June 2022, approved the reduction of the share capital of Fomento de Construcciones y Contratas, S.A. by a maximum nominal amount of 1,700,000.00 euros, through the redemption of up to 1,700,000 treasury shares with a nominal value of one euro.

The Board of Directors, at its meeting on 14 June 2022 after the General Shareholders' Meeting of Fomento de Construcciones y Contratas, S.A., decided to proceed with the agreement for the reduction of share capital through the redemption of treasury stock for the maximum amount established by the General Shareholders' Meeting, i.e. 1,700,000 shares, bringing the share capital to 438,344,983 shares with a nominal value of one euro. On 18 July 2022, the public deed for the aforementioned reduction in capital was registered in the Mercantile Registry of Barcelona.

The capital reduction of 1,700 thousand euros led to a decrease in the balance of treasury stock for the sum of 17,910 thousand euros, taking the difference of 16,210 thousand euros to voluntary reserves. Having also constituted the restricted reserve for redeemed capital as required for an amount of 1,700 thousand euros, equal to the nominal value of the redeemed shares, charged to voluntary reserves.

### a) **Capital**

The capital of Fomento de Construcciones y Contratas, S.A. at 31 December 2022 comprises 438,344,983 ordinary shares represented through book entries with a par value of 1 euro each.

All shares are fully subscribed and paid and carry the same rights.

The securities representing the capital stock of Fomento de Construcciones y Contratas, S.A. are admitted to official listing on the four Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia) via Spain's Continuous Market.

In relation to the part of the capital held by other companies, directly or through their subsidiaries, when it exceeds 10%, according to the information provided, the company Control Empresarial de Capitales, S.A. de C.V., controlled by the Slim family, holds directly and indirectly, at the date of preparation of these accounts, 65.76%. Furthermore, Finver Inversiones 2020, S.L.U., 100% owned by Inmobiliaria AEG, S.A. de C.V., which in turn is controlled by Carlos Slim Helú, has a 11.26% holding. Finally, the company Nueva Samede Inversiones 2016, S.L.U. has a direct holding of 4.56% of the capital. Esther Koplowitz Romero de Juseu also holds 143,548 direct shares in Fomento de Construcciones y Contratas, S.A.

### b) Share premium

The Spanish Limited Liability Companies Law, as amended, expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use for other purposes.

### c) Reserves

The detail of this heading in 2022 and 2021 is as follows:

	2022	2021
Legal reserve	85,035	81,821
Other reserves	2,534,063	2,304,735
	<b>2,619,098</b>	<b>2,386,556</b>

In accordance with the Spanish Limited Liability Companies Law, as amended, 10% of net profit for each business year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the capital stock. The legal reserve cannot be distributed to shareholders except in the event of liquidation.

The legal reserve may be used to increase capital provided that the remaining reserve balance is greater than 10% of the increased capital.

Otherwise, until it exceeds 20% of capital stock and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

Noteworthy under "Other reserves" were restricted reserves amounting to 7,734 thousand euros, equivalent to the nominal value of the own shares redeemed in the 2002, 2008 and 2022 business years which, pursuant to article 335.c of the Spanish Limited Liability Companies Law, is restricted, except with the same requirements as for the capital reduction.

#### d) Own shares

Movements in the “Own shares” heading in the 2022 and 2021 business years were as follows:

<b>Balance at 31 December 2020</b>	<b>(18,012)</b>
Sales	—
Acquisitions	(8,662)
<b>Balance at 31 December 2021</b>	<b>(26,674)</b>
Sales	—
Accumulated	17,910
Acquisitions	(18,500)
<b>Balance at 31 December 2022</b>	<b>(27,264)</b>

Details of own shares at 31 December 2022 and 2021 were as follows:

2022		2021	
Number of shares	Amount	Number of shares	Amount
2,741,524	(27,264)	2,410,758	(26,674)

At 31 December 2022, the company’s treasury shares represented 0.63% of the capital stock (0.57% at 31 December 2021).

### 11. - LONG-TERM PROVISIONS

The changes in the business year were as follows:

	Liabilities and contingencies	Contractual and legal guarantees and obligations	Self-insurance reserve	Total
<b>Balance at 31.12.20</b>	<b>99,510</b>	<b>19,155</b>	<b>19,184</b>	<b>137,849</b>
Provisions	2,930	2,561	113	5,604
Applications/reversals	(5,317)	—	(139)	(5,456)
<b>Balance at 31.12.21</b>	<b>97,123</b>	<b>21,716</b>	<b>19,158</b>	<b>137,997</b>
Provisions	—	—	118	118
Applications/reversals	(19,788)	(2,494)	(4,937)	(27,219)
<b>Balance at 31.12.22</b>	<b>77,335</b>	<b>19,222</b>	<b>14,339</b>	<b>110,896</b>

#### Provision for third-party liability

This item includes the risks arising for the company in the performance of its activities that are not included in other categories. These include the risks arising from international expansion, as well as tax risks. As regards the movements in 2022, the application of 18,726 thousand euros is worth particular mention, related to the completion of the Corporation Tax audit actions to which the Tax Group headed by Fomento de Construcciones y Contratas, S.A. had been subject, starting the previous years (Note 15.f).

#### Provisions for guarantees and contractual and legal obligations

This heading includes the provisions to cover the expenses arising from contractual and legal obligations of a non-environmental nature. Practically all of the balance corresponds to the financial commitments granted to the buyers of Global Via Infraestructuras, S.A., formalised in 2016 (Note 8.a).

#### Self-insurance reserves

This heading includes provisions to cover actions as the insurer itself.

#### Other information

In relation to the winding up of the Alpine Group, 2022 saw no significant changes in terms of the amount reported in the Group's 2021 Financial Statements.

In 2006, the FCC Group acquired an absolute majority in Alpine Holding GmbH, hereinafter AH, and thereby, indirectly in its operating subsidiary company, Alpine Bau GmbH, hereinafter AB. Seven years later, on 19 June 2013, AB filed for insolvency before the Commercial Court of Vienna, but after the unfeasibility of the reorganisation proposal was established, the insolvency administrator filed for, and the court decreed, the bankruptcy, closure and liquidation of the company. On 25 June 2013, the liquidation of the company was commenced. As a consequence of the bankruptcy of AB, its parent company, AH filed for bankruptcy before the Commercial Court on 2 July 2013, which declared the bankruptcy and liquidation of AH.

As a result of both bankruptcies, FCC Construcción, S.A. loses control over the Alpine Group, interrupting its consolidation.

On the reporting date, the administrators recognised liabilities of approximately EUR 1,669 million in AB and EUR 550 million in AH as part of the corresponding receivership proceedings. The share of the bankrupt estate in AB currently amounts to 15% whereas for AH's bankruptcy, the bankruptcy administrator has not been able to estimate and determine the share.

Nine years after the bankruptcy of both companies and having definitively closed the criminal proceedings, won proceedings brought by bondholders and settled a backdating action, two proceedings brought by the insolvency administrators against Fomento de Construcciones y Contratas, S.A. and FCC Construcción S.A. are still pending, in addition to other proceedings against auditors, former directors and banks involved in the acquisition of bonds issued by AH in 2010, 2011 and 2012 and admitted to trading on the Luxembourg and Vienna stock exchanges for a combined nominal value of €290 million.

During the refinancing of the Alpine Group between October 2012 and June 2013, FCC Construcción, S.A. provided corporate guarantees to enable AB and a selection of its operating subsidiary companies to bid for and/or be awarded construction work. As at 31 December 2022, the provision for this item amounted to 18,667 thousand euros.

Between the bankruptcy of AH and AB and the date on which these financial statements were issued, a number of proceedings were instigated against the Group and directors of AH and AB. At 31 December 2022, and as far as FCC could be directly or indirectly affected, two commercial proceedings and one labour proceeding are still in progress:

- In April 2015, the bankruptcy administrator of Alpine Holding GmbH filed a claim for 186 million euros against FCC Construcción, S.A. and other ex-executive of AB, considering that these parties should compensate Alpine Holding GmbH for the amounts collected through two bond issues in 2011 and 2012 that were allegedly provided by this company for its subsidiary, Alpine Bau GmbH, without the necessary guarantees and complying with a “mandate-order” from FCC Construcción S.A. On 31 July 2018, the ruling dismissing the claim was handed down and the claimant ordered to pay the costs. Having filed appeals and cassation appeals for procedural infringement, in April 2020, the Austrian Supreme Court declared the need to return the Orders to the Court of Instance so that the testimonial evidence could be practiced in person before the Judge of First Instance. Such testimonial statements took place in June 2021 and, in light of the mandate contained in the Supreme Court Judgment, the judge has yet to decide whether to consider the procedure closed or whether to agree to the practice of the expert evidence requested by the bankruptcy trustee AH.
- In April 2017, a Group company, Asesoría Financiera y de Gestión S.A. was notified of a suit in which an AB bankruptcy administrator made a joint and several claim against the former finance director of Alpine Bau GmbH and against Asesoría Financiera y de Gestión S.A. for the payment of 19 million euros for the alleged violation of corporate and bankruptcy law, considering that Alpine Bau GmbH, on making a deposit at Asesoría Financiera y de Gestión S.A., allegedly made payments charged against equity, considered to be a capital refund, and therefore prohibited by law. The proceedings are still at the evidentiary phase, the court expert having issued his report according to which the deposit and the factoring transactions between subsidiary companies of AB and Asesoría Financiera y de Gestión S.A. would not have caused any loss to AB. Given the multiplicity of allegations made by the bankruptcy administrator, the judge is weighing the request for a complementary expert report.

- Also in April 2017, a former FCC employee and former executive at AH and AB was notified of a claim filed by the insolvency administrator of Alpine Bau GmbH in the Social Claims Court for 72 million euros. The claimant argues that this amount represents the damage to the bankruptcy estate caused by the alleged delay in initiating insolvency proceedings. In the event that the insolvency administrator's claim succeeds, with a firm ruling on an indemnity duty, the FCC Group's subsidiary liability could arise in a remote case.

In terms of these disputes, the FCC Group and its legal advisors do not consider it very probable there will be any future outflows of cash prior to the issuance of these financial statements; therefore, no provisions have been set aside, as the Group believes that they represent contingent liabilities.

## **12. - NON-CURRENT AND CURRENT PAYABLES**

The balance of “Non-current payables” and “Current payables” was as follows:

	Long-term	Short-term
<u>2022</u>		
Debt instruments and other marketable securities	—	23,200
Bank borrowings	—	155,837
Other financial liabilities	29	1,080
	<b>29</b>	<b>180,117</b>
<u>2021</u>		
Debt instruments and other marketable securities	—	30,000
Bank borrowings	—	200,076
Other financial liabilities	29	487
	<b>29</b>	<b>230,563</b>

All the financial liabilities reflected in the table above are classified within the category of financial liabilities at amortised cost.

### **a) Bonds and other current marketable securities**

Fomento de Construcciones y Contratas, S.A has had a promissory note programme, Euro Commercial Paper Programme (ECP), registered since November 2018 on the Irish stock exchange (Euronext Dublin) for a maximum amount of 600 million euros as at December 2022, at a fixed interest rate and with a maximum maturity of one year, which allows issuance with maturities of between 1 and 364 days from the date of issue, in order to meet general financial needs.



At 31 December 2022, the outstanding balance is 23,200 thousand euros (30,000 thousand euros at 31 December 2021), with variable maturities of up to a maximum of 4 months.

#### **b) Current bank borrowings**

At 31 December 2022, this heading mainly includes:

1. Loan for a total of 150,000 thousand euros, with annual maturity and interest rates tied to Euribor plus a market spread.
2. Financing facilities in the form of credit policies and bilateral loans, with a maximum limit of 275,000 thousand euros with different financial entities. As at 31 December 2022, 4,564 thousand euros had been drawn down, leaving 270,436 thousand euros available. They also have annual maturity and interest rates tied to Euribor plus a market spread.

### **13. - TRADE PAYABLES**

In relation to the Spanish Accounting and Audit Institute (ICAC) Resolution dated 29 January 2016, enacted in compliance with the Second Final Provision of Law 31/2014, of 3 December, which amends the Third Additional Provision of Law 15/2010, of 5 July, stipulating measures to combat late payment in commercial transactions, the following table provides information on the average payment period to suppliers for commercial transactions arranged since the date of entry into force of Law 31/2014, i.e. 24 December 2014.

Additionally, Article 9, Chapter IV of Law 18/2022 of 28 September, on the creation and growth of companies, introduces the obligation to report the following indicators: monetary volume and number of invoices paid in a period less than the maximum established in the late-payment regulations and the percentage that these represent from the total number of invoices and the total monetary value of payments to suppliers.

	<b>2022</b>	<b>2021</b>
	<b>Days</b>	<b>Days</b>
Average payment period to suppliers	59	57
Ratio of paid operations/transactions	58	56
Ratio of operations/transactions pending payment	64	65
	<b>Amount</b>	<b>Amount</b>
Total payments pending	6,878	7,016
Total payments made	61,623	56,206
Total payments made in a period less than the maximum established in the late-payment regulations	24,765	31,041
Ratio (%)	40%	55%
Total number of invoices paid during the period	5,668	5,449
Number of invoices paid in a period less than the maximum established in the late-payment regulations	2,450	2,664
Ratio (%)	43%	49%

#### **14. - INFORMATION ON THE NATURE AND LEVEL OF RISK OF FINANCIAL INSTRUMENTS**

The concept of financial risk refers to changes in the financial instruments arranged by Fomento de Construcciones y Contratas, S.A., as a result of political, market and other factors and their impact on the financial statements. The risk management philosophy of the company and of FCC Group is consistent with their business strategy, and seeks to achieve maximum efficiency and solvency at all times. To this end, strict financial risk management and control criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred in the Group's operations. The risk policy has been integrated into the Group's organisation in the appropriate manner.

In view of the company's activities and the transactions through which it carries on its business, it is currently exposed to the following financial risks:

##### **a) Capital risk**

To manage capital, the main objective of the company and of FCC Group is to reinforce its financial-equity structure, in order to improve the balance between borrowed funds and shareholders' equity, and the Group endeavours to reduce the cost of capital and, in turn, to preserve its solvency status, in order to continue managing its activities and to maximise shareholder value, not only at Group level, but also at the level of the parent, Fomento de Construcciones y Contratas, S.A.

The essential base considered by the FCC Group to be capital is recognised under “Equity” in the balance sheet. Given the sector in which they operate, the company and the Group are not subject to external capital requirements, although this does not prevent the frequent monitoring of equity to guarantee a financial structure based on compliance with the prevailing regulations of the countries in which it operates, also analysing the capital structure of each of the subsidiary companies to enable an adequate distribution between debt and capital.

The above is reflected in the results of ratios, debt levels and the high percentage classed as Investment grade, mainly in the parent's subsidiaries that account for a large part of the Group's financial debt, such as FCC Aqualia and FCC Servicios Medio Ambiente Holding.

Furthermore, in June 2022, the refinancing in the Water area was completed for the sum of 1,100 million euros. Elsewhere, in July 2020, FCC Servicios Medioambiente Holding S.A.U. registered, and has since renewed each year, a promissory note programme (Euro Commercial Paper Program [ECP]) the Irish stock market for the amount of 400 million euros; while Fomento de Construcciones y Contratas, S.A. has registered a promissory note programme (Euro Commercial Paper Program [ECP]) on the same market since November 2018 for the sum of 600 million euros. In 2022 new financing facilities were also renewed and taken out in the form of lines of credit and bilateral loans.

These operations have helped to continue to shore up the financial solvency process and the continuation of the policy of diversifying funding sources. These measures have contributed to achieving a much more robust and efficient capital structure, with suitable volumes, terms and financing costs adapted to the nature of the FCC Group's different business areas.

The Economic-Finance Division, as responsible for financial risk management, regularly reviews the debt-equity ratio and compliance with financing covenants, together with the capital structure of the subsidiaries.

## **b) Foreign currency risk**

A noteworthy consequence of FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be arranged in the same currency.

Although the benchmark currency in which the company and the Group mainly operate is the euro, they also hold financial assets and liabilities accounted for in currencies other than the euro. Exchange rate risk is mainly found in debt denominated in foreign currency, except when this entails a natural hedge of the assets financed since they are denominated in the same currency, in investments in international markets, and in collections and payments in currencies other than the euro.

FCC Group's general policy is to mitigate the adverse effect on its financial statements of exposure to foreign currencies as much as possible, with regard to both transactional and purely equity-related movements. The Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

### c) Interest rate risk

Fomento de Construcciones y Contratas, S.A. and FCC Group are exposed to interest rate fluctuations due to the fact that the Group's financial policy aims to ensure that its current financial assets and debt are partially tied to variable interest rates. The benchmark interest rate for debt arranged with credit entities in euros is mainly the Euribor.

Any increase in interest rates could give rise to an increase in financing costs associated with its borrowings at variable interest rates, and could also increase the cost of refinancing the borrowings and the issue of new debt.

In order to ensure a position that is in the best interests of the company and of FCC Group, an interest rate risk management policy is actively implemented, with on-going monitoring of markets and assuming different positions depending primarily on the asset financed.

The table below summarises the effect on the Company's income statement of increases in the interest rate curve with regard to gross debt:

	+25 bp	+50 bp	+70 bp	+100 bp
Impact on profit or loss	1,332	2,663	3,995	5,326

### d) Solvency risk

The following table shows the development of the net financial indebtedness shown in the accompanying balance sheet.

	2022	2021
Bank borrowings (note 12)	155,837	200,076
Debt instruments and other marketable securities (Note 12)	23,200	30,000
Financial payables to Group and associated companies (notes 9.c and 9.d)	1,183,275	1,202,824
Financial loans with Group and associated companies (note 9.b)	(194,756)	(192,392)
Other current financial assets (note 8.b)	(3,644)	(6,173)
Treasury and cash equivalents	(10,583)	(61,760)
	<b>1,153,329</b>	<b>1,172,575</b>

#### e) Liquidity risk

Fomento de Construcciones y Contratas, S.A. performs its business in industrial sectors requiring a high level of financing, having so far obtained adequate financing for its operations. However, the company cannot guarantee that these circumstances relating to obtaining financing will continue in the future.

The ability of the Company and the FCC Group to obtain financing depends on many factors, a lot of which are beyond their control, such as general economic conditions, the availability of funds at financial institutions, the depth and availability of the capital markets and the monetary policy of the markets in which they operate. Adverse effects in debt and capital markets may hinder or prevent adequate financing being available to develop the company's activities

Historically, the FCC Group has always been able to renew its loan arrangements, and it expects to continue doing so in the coming twelve months. However, FCC Group's ability to renew loan arrangements depends on various factors, many of which are outside the control of FCC Group, such as general economic conditions, the availability of funds for loans from private investors and financial institutions, and the monetary policy of the markets in which it operates. Negative conditions in debt markets could hinder or prevent FCC Group's capacity to renew its financing. Accordingly, the FCC Group cannot guarantee its ability to renew its financing on economically attractive terms. The inability to renew such loans or to ensure financing under acceptable terms may have a negative impact on the liquidity of Fomento de Construcciones y Contratas, S.A. and its Group companies, and on its ability to meet its working capital needs.

To adequately manage this risk, the Group performs exhaustive monitoring of the repayment dates of all credit facilities of each Group company, in order to conclude all renewals in the best market conditions sufficiently in advance, analysing the suitability of the funding and studying alternatives if the conditions are more unfavourable on a case-by-case basis. The Group is also present in several markets, which facilitates the obtainment of credit facilities and the mitigation of liquidity risk.

#### f) Concentration risk

The risk arising from the concentration of lending transactions with common characteristics is distributed as follows:

- Funding sources: in order to diversify this risk, the company and FCC Group work with a large number of Spanish and foreign financial entities to obtain funds.

- Markets/geography (domestic, foreign): The FCC Group operates in a wide variety of national and international markets, with the debt mainly concentrated in euros and the rest in various international markets, with different currencies.
- Products: the company uses various financial products, such as loans, credit facilities, promissory notes, syndicated loans, assignments and discounting.

FCC Group's strategic planning process identifies the objectives to be attained in each of the areas of activity, based on the improvements to be implemented, the market opportunities and the level of risk deemed acceptable. This process serves as a base for preparing operating plans that specify the goals to be reached each business year.

#### **g) Credit risk**

The provision of services or the acceptance of client engagements, whose financial solvency was not guaranteed at the acceptance date, situations not known or unable to be assessed and unforeseen circumstances arising during the provision of the service or the execution of the engagement that could affect the client's financial position could generate a payment risk with respect to the amounts owed.

The company and FCC Group request commercial reports and assess the financial solvency of clients before doing business and perform on-going monitoring, and have put in place a procedure to be adopted in the event of insolvency. In the case of public-sector clients, the Group does not accept engagements that do not have an assigned budget and financial approval. Offers that exceed a certain payment period must be authorised by the Finance Division. Likewise, on-going monitoring is performed of debt delinquency in various managing committees.

With regard to credit ratings, the Company and the FCC Group apply its best judgement to impair financial assets on which it expects to incur credit losses over their entire lives. The Group regularly analyses changes in the public ratings of the entities to which it is exposed.

#### **h) Covid-19 risk**

The Covid-19 pandemic has had a series of impacts on the financial statements of the Company and the FCC Group, both in terms of operations and liquidity, which has also led to the updating of the main estimates affecting them.

In operational terms, the impact of the Covid-19 crisis on the FCC Group has been limited, given that the Water and Environment areas, which represent the most substantial part of the Group's revenues and earnings, include activities that the various national authorities have considered essential without significant interruptions in activity or loss of profitability for most of the assets. In relation to the other activities, such as Construction, which has a smaller weight in the Group's total activity, the pandemic has led to the temporary interruption of part of the portfolio of construction contracts in progress, and also, where appropriate, to some inefficiencies in the supply chain, circumstances which inevitably have an impact on project costs and delivery times. Measures have been adopted to adapt costs to the new levels of activity and, to date, practically all activity has resumed, so no significant unprovisioned impairment is expected- For its part, the Cements area presents a similar evolution in relation to the COVID-19 risk, although it has been affected by the increase in energy prices.

The Company and the FCC Group, in light of the situation created by the Covid-19 crisis, have carried out an analysis of the main estimates affecting the individual and consolidated financial statements. In relation to the estimates affecting the individual financial statements (Note 4.I), the notes to these financial statements detail the effects in terms of impairments and provisions that the COVID-19 crisis has caused on the financial information for the 2022 business year.

Taking into account the limited impact, the measures to secure the assets undertaken as well as the existing liquidity gaps, these individual financial statements have been prepared on a going concern basis, since the continuity of the company is not in doubt.

#### **i) Risks generated by the Russian invasion of Ukraine**

The FCC Group does not undertake activities in Russia, Ukraine or Belarus, meaning that the Russian invasion of Ukraine and the subsequent sanctions have not had a direct effect on its activities. However, it has been exposed to indirect effects such as the increase in the cost of raw materials, in particular the cost of energy, disruption to supply chains and, to a certain extent, the increase in reference interest rates. The most significant impact has been seen in the Cement Area, the most energy-intensive activity, slashing its operating margins despite the fact that in recent months, the sale price of cement has partly included the aforementioned increase in the cost of energy. The remaining activities have been affected for the same reason although to a lesser extent as they are not as intensive when it comes to energy consumption.

In light of the foregoing, the Group has reviewed the assumptions used to assess signs of impairment of its main non-financial assets, considering factors including but not limited to the increase in reference interest rates, placing particular emphasis on goodwill. As a result, it has determined that it is appropriate to deteriorate the goodwill corresponding to the Uniland CGU (Note 9.a), weighed down by the decrease in its margins as a result of factors including but not limited to the indirect effects mentioned in the previous paragraph. Given that the Group does not operate in the aforementioned geographic markets, no significant increase in the credit risk of its financial assets has been seen; therefore, no additional impairments have been recognised beyond those considered inherent to the different activities it performs. Furthermore, no difficulties have been identified in the ability to obtain financing.

Therefore, the aforementioned invasion has had a limited impact on the Company and its Group, meaning that the individual and consolidated financial statements have been prepared applying the going concern principle, considering that the effects described do not jeopardise the continuity of their activities.

#### **j) Climate change risks**

The performance of the activities carried out by the FCC Group may be impacted by adverse weather conditions, such as floods or other natural disasters and in some cases, by the decrease in temperature that may hinder, or even prevent in extreme cases, the performance of their activities, such as the case of intense frosts in the Construction business.

The Company and its group of companies take all the appropriate measures to adapt to the effects of climate change and mitigate its possible effects on their activity and fixed assets, committing to the decarbonisation of the activities it carries out, for which it uses the most efficient technologies in the fight against climate change and by the very nature of some of the activities it carries out, it promotes the circular economy. In order to attain these objectives, specific policies are implemented in the activities carried out:

- The Construction area has an Integrated Policy to analyse environmental incidents, the involvement of the interested parties and the establishment of a plan to reduce the significant impacts of the activities of the works, emphasising the mitigation of the generation of waste, the consumption of resources, the generation of noise and vibrations, promoting the use of sustainable and reusable materials and the sustainable use of water. It has environmental certifications in several of the countries in which it operates, as well as environmental certification according to ISO 14001 at the centres located in Spain at some of its main investees.



- The very nature of the Environmental Services Area aims to protect and conserve the environment and contribute to the circular economy by treating waste as a resource, through its reuse and energy recovery. Likewise, it uses technologies and equipment to optimise water consumption, promoting a rational use and the use of water from alternative sources, such as the use of rainwater. As for policies aimed at optimising energy consumption, Spain has an Energy Management System certified in accordance with the ISO 50001 standard and projects for the use of landfill gas to generate electricity and hot water.
- In 2021, the Water Area was the first company in the sector to certify the Strategy for the Contribution of the Sustainable Development Goals, by AENOR. Furthermore, the Area has implemented energy management policies with a view to optimising energy consumption at its facilities; this policy is reflected in the calculation of the company's Carbon Footprint at its plants in Spain. The Area has also implemented policies to reduce greenhouse gas emissions, through the signing of a PPA (Power Purchase Agreement) contract for renewable energies (photovoltaic) and projects to install renewable energy (photovoltaic) at some of its facilities.
- The Cement Area takes measures that are specified at each facility, taking into account the current context of each one, its technological, human and economic resources, the applicable legislation and the expectations of the interested parties. The objectives of such measures are to promote the circular economy and to reduce greenhouse gas emissions by increasing material and energy recovery with a greater use of decarbonised raw materials, recoverable waste and biomass fuels, increasing energy efficiency through the optimisation of the fuel mix and the use of expert systems in the manufacturing process and transition to LED lighting and increasing the mix of renewable energies through solar and/or wind energy facility projects and boosting the consumption of biomass in clinker manufacturing.

As a result of the foregoing, these individual financial statements were prepared under the going concern principle, since there are no doubts regarding the continuity of the Company and its group of companies.

## 15.- DEFERRED TAXES AND TAX MATTERS

In accordance with file 18/89, as the parent, Fomento de Construcciones y Contratas, S.A. files consolidated corporation tax returns, including all the Group companies that comply with the requirements of the tax legislation.

### a) Balances with public administrations and deferred taxes

#### a.1) Tax receivables

	2022	2021
<b>Non-current</b>		
Deferred tax assets	135,072	50,268
	<b>135,072</b>	<b>50,268</b>
<b>Current</b>		
Current tax assets	53,743	144,230
Other receivables from the public administrations	280	994
	<b>54,023</b>	<b>145,224</b>

The breakdown of the “Deferred tax assets” heading is as follows:

	2022	2021
Tax loss carryforwards and activated deductions (Note 15.e)	96,221	44,523
Non-deductible provisions	26,178	4,257
Rest	12,673	1,488
	<b>135,072</b>	<b>50,268</b>

The management of Fomento de Construcciones y Contratas, S.A., the parent of the Tax Group 18/89, has assessed the recoverability of deferred tax assets by estimating future tax bases relating to the aforementioned Group, concluding that no doubts exist with respect to their recovery.

The estimates used to assess the recoverability of deferred tax assets are based on the estimated future tax bases, based on the pre-tax consolidated accounting result for the year from continuing activities, which has been estimated based on the Strategic Plan prepared by the Group for the 2023-2025 period. Turnover growth of 7.7% in 2023, 6.3% in 2024 and 4.1% in 2025 is assumed. In turn, the projected Ebitda margin is 13% for 2023 and 2024 and 13.5% for 2025. During subsequent periods, vegetative growth is projected at the level of pre-tax profit equal to 2%. Based on profit projections, it is estimated that there will be sufficient positive taxable income to totally absorb both the tax losses recognised in the balance sheet and the Tax Group's deferred tax assets. Based on these expectations, the Company has decided to recognise all tax credits not activated in previous years in its financial statements, which includes tax loss carryforwards and deductions pending application, as well as temporary differences, in essence due to the limitation on the deductibility of financial expenses from previous years and provisions whose deductibility will be defined in subsequent years. The breakdown of the aforementioned activation by concepts (in terms of share) is as follows:

Tax loss carryforwards and deductions	42,611
Non-deductible finance costs	27,831
Provisions	23,901
Rest	6,180
	<b>100,523</b>

#### a.2) Payable balances

	2022	2021
<b>Non-current</b>		
Deferred tax liabilities	407	371
	<b>407</b>	<b>371</b>
<b>Current</b>		
Other government/public administration credits/loans:		
Withholdings	2,119	301
VAT and other indirect taxes	472	420
Social Security bodies	333	338
	<b>2,924</b>	<b>1,059</b>

#### a.3) Changes in deferred tax assets and liabilities

Movements in deferred tax assets and liabilities in the 2022 and 2021 business years were as follows:

	Deferred tax assets	Deferred tax liabilities
<b><i>Taxable temporary differences</i></b>		
<b>Balance at 31.12.20</b>	<b>54,670</b>	<b>385</b>
Originating in previous business years	(3,653)	-
Other adjustments	(749)	(14)
<b>Balance at 31.12.21</b>	<b>50,268</b>	<b>371</b>
Arising in the year (Note 15.b)	365	-
Arising in prior years (Note 15.b)	(25,285)	36
Activation of tax credits (note 15.a)	100,523	-
Other adjustments	9,201	-
<b>Total balance at 31.12.22</b>	<b>135,072</b>	<b>407</b>

"Other adjustments" basically include the differences, positive or negative, between the estimate of the tax made at the closing of the accounts and the subsequent settlement of the tax at the payment date.

#### b) Reconciliation of accounting profit and taxable income

The reconciliation between accounting profit and taxable profit for corporation tax purposes is as follows:

	2022		2021		
Accounting profit/(loss) for the business year before tax		(59,172)			244,957
	<u>Additions</u>	<u>Reductions</u>	<u>Additions</u>	<u>Reductions</u>	
Permanent differences	193,372	(142,433)	50,939	89,278	(369,313)
<b>Adjusted accounting profit/(loss)</b>		<b>(8,233)</b>			<b>(124,356)</b>
Temporary differences					
- Arising in the year (Note 15.a)	1,459	-	1,459	-	-
- Arising in prior years (Note 15.a)	-	(101,139)	(101,139)	-	(14,613)
<b>Tax base (taxable profit/(loss))</b>		<b>(107,913)</b>			<b>(138,969)</b>

Looking at the above table, the following is worth note:

- The permanent differences corresponding to both years. which basically arise from:
  - Impairment on investments of the Tax Group 18/89 and at the remaining investees (Note 9).
  - The exemption to avoid the double taxation of dividends. Corporate Income Tax Law 27/2014, of 27 November, eliminated the tax credit for the double taxation of dividends, substituting it with the aforementioned exemption.
  - In 2021 specifically, due to temporary differences treated as permanent. They correspond to temporary differences from previous years that are not capitalised as deferred tax assets and that reverse in the year, basically due to the non-deductibility of financial expenses.
  
- The temporary differences corresponding to 2022 in essence correspond to the deductibility of financial expenses during the year that were not deductible in previous years and that were activated during the year (Note 15.a).

#### c) Reconciliation of accounting profit to the corporation tax expense

The reconciliation of accounting profit to the corporation tax expense was as follows:

	2022	2021
Adjusted accounting profit/(loss)	(8,233)	(124,356)
Corporation tax charge	2,058	31,089
Activation of tax credits (note 15.a)	100,523	-
Other adjustments	2,458	(1,549)
<b>Corporation tax expense/(income)</b>	<b>105,039</b>	<b>29,540</b>

#### d) Breakdown of the corporation tax expense

The breakdown of Corporate Income Tax expense was as follows:

	2022	2021
Current tax	20,271	33,928
Deferred tax (Note 15.a)	84,768	(4,388)
<b>Total tax (expense)/income</b>	<b>105,039</b>	<b>29,540</b>

#### e) Tax loss carryforwards and unused tax credits

At year-end, the company had tax loss carryforwards from prior years pending offset amounting to 313,729 thousand euros, as a member of Tax Group 18/89, detailed as follows, by year:

	<b>Amount</b>
2013	194,584
2014	44,908
2016	48,675
2019	16,855
2020	8,707
<b>Total</b>	<b>313,729</b>

The company also has unused tax credits pending application from previous years amounting to 12,247 thousand euros. The breakdown is as follows:

<b>Deductions</b>	<b>Amount</b>	<b>Application deadline</b>
R+D+I Activities	6,162	18 years
Reinvestment	4,688	15 years
Creation of employment	742	15 years
Internal double taxation relief	583	Indefinite
Rest	72	—
	<b>12,247</b>	

The Company has capitalised all the tax bases pending compensation and deductions pending application (Note 15.a).

#### f) Financial years pending verification and inspection actions

Fomento de Construcciones y Contratas, S.A. has all the business years not yet statute-barred open for review by the tax authorities for the taxes applicable to them.

During 2022, the tax authorities completed their Corporate Income Tax audit on the tax group headed by In June 2022, the tax authorities notified the start of corporate income tax audits of the tax group headed by Fomento de Construcciones y Contratas, S.A. for 2015 to 2017, the VAT corresponding to the period from June 2016 to December 2017 of Fomento de Construcciones y Contratas, S.A., FCC Construcción, S.A., FCC Aqualia, S.A., FCC Industrial e Infraestructuras Energéticas, S.A. and Cementos Portland Valderrivas, S.A., as well as withholdings/payments on account for employment income and income from professional services for the period from June 2016 to December 2017 of Fomento de Construcciones y Contratas, S.A., FCC Construcción, S.A. and FCC Aqualia, S.A. and for the period from January to December 2017 for Cementos Portland Valderrivas, S.A. The Tax Administration issued several certifications in relation to Corporate Income Tax, VAT and withholdings/payments on account for work income, for a range of interpretative issues, which have been partly appealed before the economic-administrative courts. The value of the tax debts in question has not had a significant impact on the income statement or on the equity of the Company and of the FCC Group.

In May 2019, the tax authorities completed a procedure to recover state aid, arising from European Commission Decision 2015/314/EU, of 15 October 2014, relating to the tax amortisation of financial goodwill from the indirect acquisition of foreign holdings. This procedure aims to adjust the tax incentives applied by the company and FCC Group in prior years as a result of the acquisition of the Alpine, FCC Environment (formerly the WRG Group) and FCC CEE (formerly the ASA Group) Groups. The tax authorities made a payment for a total amount of 111 million euros (instalment and interest) to Fomento de Construcciones y Contratas, Parent of the FCC Group. The company has settled this tax debt but has also filed an economic-administrative appeal against it, which is pending resolution. The legal advisors of Fomento de Construcciones y Contratas, S.A. consider it likely that the amounts already paid in this recovery procedure will be returned. Within the framework of this procedure, the Tax Administration recognised a negative tax base in favour of the FCC Group, which has generated a tax credit capitalised in the amount of 63.2 million euros (49 million euros at the Company) .

In relation to the rest of the business years and taxes open for review, as a result of the criteria that the tax authorities may adopt in the interpretation of the tax regulations, the outcome of the inspections currently under way, or those that may be performed in the future for the years open for review, could generate contingent tax liabilities whose amount cannot currently be quantified objectively. However, Group management considers that the liabilities resulting from this situation would not have a significant effect on the Group's equity.

### g) Other tax information

The following table includes the details of the “Corporation tax refunded/(paid)” heading in the statement of cash flows for the 2022 and 2021 business years.

	2022	2021
Prior years' corporation tax	149,127	39,737
Prepayments	(52,811)	(115,251)
Collections from/payments to Group companies for prior years' corporation tax charge and corporation tax prepayments in the year	(45,224)	101,175
Withholdings and other	(652)	(65)
	<b>50,440</b>	<b>25,596</b>

## 16. - GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2022, Fomento de Construcciones y Contratas, S.A. provided guarantees vis-à-vis public bodies and private clients, mainly to secure the proper performance of the services under contracts in the United States of America, for 12,649 thousand euros (21,362 thousand euros at 31 December 2021). Also, the Company had provided securities and guarantees to third parties with respect to certain Group companies, totalling 18,032 thousand euros (32,314 thousand euros at 31 December 2021), essentially companies belonging to the Environmental Services division. In both cases, the decrease seen during the year can be attributed to the transfer of guarantees to companies for the aforementioned activity.

Fomento de Construcciones y Contratas, S.A. has also appeared as the respondent in some lawsuits. However, the company's directors consider that the resulting liabilities would not have a material effect on the company's equity.

The possible financial effects of the main contingent liabilities derived from the bankruptcy of the Alpine subgroup would be the cash outflows indicated in the respective lawsuits detailed in Note 11 of this report, a risk not considered likely.



On 15 January 2015, the Competition Chamber of the National Markets and Competition Commission issued a decision on file S/0429/12, for an alleged violation of Article 1 of Law 15/2007 on the Defence of Competition. This ruling affects various companies and associations in the waste sector, including FCC and other companies that also belong to FCC Group. The Group has filed an administrative appeal before the Spanish National Appellate Court. At the end of January 2018, notification was received of the decisions handed down by the Spanish National Appellate Court, upholding the administrative appeals filed by Gestión y Valorización Integral del Centro S.L. and BETEARTE, both FCC Group investees, against the CNMV ruling imposing various penalties for alleged collusive practices. In both decisions, the argument put forward by these companies that no single, on-going breach existed was upheld. In April 2018, we were notified of the agreement initiating new legal proceedings for the same conduct investigated in the previous proceedings forming the scope of the upholding decision, commencing an 18-month examining period. In July 2019, the proposal for resolution was issued in relation to various FCC Group companies. In September 2019, an agreement was issued suspending these legal proceedings until the National Court's decision on appeals filed by other companies that had been penalised.

As a result of an internal investigation in May 2019 in application of its compliance policy and regulations, the Group has become aware of the existence of payments between 2010 and 2014, initially estimated at 82 million dollars, which might not be justified and, may, therefore be illegal. These acts were uncovered as a result of application of the procedures in the FCC Group's compliance rules. The company has informed prosecutors in Spain and Panama about these acts, and has been providing the utmost cooperation since then to clarify what happened, applying the "zero tolerance" anti-corruption principle that permeates FCC's entire Compliance System.

In the context of this cooperation, on 29 October 2019, the National Court's Central Court of Instruction No. 2 resolved to investigate FCC Construcción, S.A. and two of its subsidiary companies, FCC Construcción América, S.A. and Construcciones Hospitalarias, S.A. in the context of Preliminary Measures 34/2017. The case is still in the investigation period, without us being able to determine at this time what type of charges could be filed, if any. These actions may therefore have a financial impact, although we do not have the information needed to qualify this impact.

On 6 July 2022, the National Markets and Competition Commission issued a resolution imposing a sanction on several construction companies, including FCC Construcción, S.A. for sharing the costs of technical work to verify objective data in relation to public works tenders. The Group considers that the sanctioned conduct not only fails to infringe any precept (including those contained in the competition law) but that this conduct has also contributed to greater efficiency and cost savings in tenders. For these and other reasons, it filed the corresponding contentious-administrative appeal before the National Court, which is still being heard. Furthermore, it asked said court to grant a precautionary measure for the suspension of the payment of the fine imposed by the CNMC until a final court ruling is handed down on this matter. This request was upheld. Therefore, it has been considered that, although this sanction may result in cash outflows, at present and given the situation we cannot estimate the corresponding amount and payment schedule.

Additionally, the 2018 agreement for the sale of the 49% FCC Aqualia holding envisages certain variable prices that depend on the resolution of contingent proceedings. The Group, therefore, has not recognised any asset given its contingent nature; likewise, it has not recognised any liability for claims that may arise against its interests, as it is not considered probable that significant losses will be incurred and given that their value is considered insignificant in relation to the transaction price.

Also, as part of the aforementioned sales transaction, FCC Topco S.a.r.l. and its subsidiary FCC Midco, S.A. were constituted, contributing shares representing 10% of the Group's shares in FCC Aqualia to the latter. These shares are pledged to secure certain Group obligations to FCC Aqualia, primarily the repayment of the 806,479 thousand euro loan that the latter extended to Fomento de Construcciones y Contratas, S.A. Note 9.c). At the date of authorisation for issue of these financial statements, the Group believes that there is no risk that these guarantees will be enforced.

The company is involved in other lawsuits and legal procedures aside from those already described that it considers will not generate significant cash outflows.

The company's stake in joint operations managed through joint ventures, joint ownership, participation accounts and other similar arrangements means that participants share joint and several liability for the activities performed.

The company has not obtained any significant assets as a result of the guarantees enforced in its favour or released.

## 17. - REVENUE AND EXPENSES

In addition to sales and services, revenue includes dividends and accrued interest arising from finance extended to investees (Note 4.h).

The "Sales and provision of services" heading mainly includes billings for management support services provided by Fomento de Construcciones y Contratas, S.A. to other Group companies. However, in 2022, this included 25,437 thousand euros corresponding to an environmental services contract located in the United States, awarded to Fomento de Construcciones y Contratas, S.A. at the end of 2021. Subsequently, an authorisation process was launched with the local authorities in the USA for the transfer of said contract to the US subsidiary FCC Environmental Services Florida, Ll.c.; this process was successfully completed in November 2022. As a result, no further billing is expected at Fomento de Construcciones y Contratas, S.A. for this concept in 2023. "Trade receivables for sales and services" on the accompanying attached balance sheet includes 7,906 thousand euros related to this contract. Additionally, in relation to this type of contract, in 2019 an agreement was formally entered into between the Company and the subsidiary, FCC Medio Ambiente, S.A., to assign economic rights and obligations to the latter, for contracts awarded directly to the Company until its transfer is possible.

Details of "Staff expenses" are shown below:

	2022	2021
Wages and salaries	22,331	19,261
Employee welfare costs	6,300	3,771
	<b>28,631</b>	<b>23,032</b>

In 2022, this includes staff expenses corresponding to the aforementioned environmental service contracts for 4,518 thousand euros.

The detail of "Other operating expenses" is as follows:

	2022	2021
External services related to information technologies	18,903	17,665
Leases	10,721	10,743
Royalties	8,232	8,503
Independent professional services	3,968	2,580
Repairs and preservation	1,804	468
Insurance premiums	1,377	400
Banking and similar services	160	399
Supplies and procurements	9,802	40
Other services	20,359	10,222
	<b>75,328</b>	<b>51,020</b>

Also in this case, in 2022, 20,857 thousand euros were included corresponding to the aforementioned environmental services contracts.

“Finance income from marketable securities and other financial instruments of Group companies and associates” includes the accrued interest arising from the financing granted to investees (Note 9), including most notably:

	2022	2021
FCC Servicios Medio Ambiente Holding, S.A.U.	9,082	8,860
FCC Concesiones e Infraestructuras, S.L.	2,534	3,116
FCyC, S.A.	1,530	137
Realia Business, S.A.	1,124	40
Rest	449	1,219
	<b>14,719</b>	<b>13,373</b>

Lastly, in the 2022 business year, the "Changes in the fair value of financial instruments" heading included income of 2,441 thousand euros for an adjustment to the sale price of the company FCC Aqualia, S.A. 5,440 thousand euros at 31 December 2021). The sale agreement of 49% of the aforementioned company, formalised in 2018, included a contingent price clause. It should be noted, in both years, that the conditions established for its collection have been met.

## **18. - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

### **a) Transactions with related parties**

Details of transactions with related parties in 2022 and 2021 are as follows:

	(wholly owned) Group Companies	Joint ventures	Associates	Total
<u>2022</u>				
Provision of services	93,954	147	—	94,101
Receipt of services	18,175	—	—	18,175
Dividends	15,435	—	387	15,822
Financial expenses	34,830	—	—	34,830
Financial income	14,719	—	—	14,719
<u>2021</u>				
Provision of services	91,737	228	—	91,965
Receipt of services	9,970	—	—	9,970
Dividends	30,316	26,075	1,144	57,535
Financial expenses	33,144	—	—	33,144
Financial income	13,373	—	—	13,373

**b) Balances with related parties**

The detail of the balances with related parties at year-end was as follows:

	(wholly owned) Group Companies	Joint ventures	Associates	Total
<b>2022</b>				
Current financial assets (Note 9)	199,452	—	—	199,452
Non-current financial assets (Note 9)	3,413,898	—	4,367	3,418,265
Current payables (Note 9)	413,058	—	—	413,058
Non-current payables (Note 9)	806,479	—	—	806,479
Trade receivables	26,182	4	—	26,186
Trade payables	11,964	—	—	11,964
<b>2021</b>				
Current financial assets (Note 9)	208,413	—	—	208,413
Non-current financial assets (Note 9)	3,470,166	—	4,626	3,474,792
Current payables (Note 9)	488,046	2	—	488,048
Non-current payables (Note 9)	806,479	—	—	806,479
Trade receivables	23,583	48	—	23,631
Trade payables	3,115	—	—	3,115

The details of trade receivables from and trade payables to Group companies and associates are as follows:

Company	2022		2021	
	Receivables	Payable	Receivables	Payable
FCC Medio Ambiente, S.A.	10,723	119	8,978	537
FCC Environmental Services Florida Llc.	7,713	9,330	5,763	1,123
FCC Aqualia, S.A.	3,437	169	3,170	47
FCC Construcción, S.A.	1,703	-	2,434	3
Hidrotec Tecnología del Agua, S.L.U.	1,340	-	1,273	1
FCC Environmental Services (USA) Llc.	-	1,750	-	1,131
Rest	1,270	596	2,013	273
	<b>26,186</b>	<b>11,964</b>	<b>23,631</b>	<b>3,115</b>

### c) Transactions with directors of the Company and senior executives of the Group

The directors of Fomento de Construcciones y Contratas, S.A. accrued the following amounts at the company, in thousands of euros:

	<b>2022</b>	<b>2021</b>
Fixed remuneration	650	525
Other payments	1,090	1,173
	<b>1,740</b>	<b>1,698</b>

The senior executives listed below, who are not members of the Board of Directors, received total remuneration of 5,793 thousand euros (1,908 thousand euros in the 2021 business years).

<b>2022-2021</b>	
Marcos Bada Gutierrez	General manager of Internal Audit
Felipe B. García Pérez	General Secretary
Miguel Ángel Martínez Parra	Managing Director of Administration and Finance
Félix Parra Mediavilla	Managing Director of FCC Aqualia

The bulk of the increase in comparison with the previous year resulted from the settlement of an insurance policy payable to a senior executive.

The company had previously taken out insurance and paid a premium to settle contingencies related to the death, permanent employment disability, retirement bonuses and other items for certain executive directors and officers of Fomento de Construcciones y Contratas, S.A. In 2022 and 2021, no further contributions have been made as premiums and the value of returns came to 3,151 thousand euros in 2022 (zero in 2021) in relation to this insurance.

Under Article 38.5 of the Articles of Association, the Company has taken out a third-party liability insurance policy covering directors and executives. This is a collective policy covering all the Group's executives, with a premium of 1,483 thousand euros being paid in 2022.

The Company has taken out an accident insurance policy for its directors, encompassing both the exercise of their functions and their private life, comprising coverage in the event of death, total and absolute permanent incapacity and severe disability. The premium paid in the business year amounted to 5 thousand euros.

Except as indicated in the preceding paragraphs, no other remuneration, advance payments, loans or guarantees were granted to the Board of Directors, nor were any obligations assumed in terms of pensions and life insurance policies by current and former members of the Board of Directors.

Details of Board members who hold posts at companies in which Fomento de Construcciones y Contratas, S.A. has a direct or indirect ownership interest were as follows:

Name or corporate name of the director	Company name of the Group entity	Position
ALICIA ALCOCER KOPLOWITZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHAIRWOMAN
	REALIA BUSINESS, S.A.	DIRECTOR
GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHIEF EXECUTIVE OFFICER
	REALIA BUSINESS, S.A.	CHIEF EXECUTIVE OFFICER
JUAN RODRÍGUEZ TORRES	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	FCC AQUALIA, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	NON-EXECUTIVE CHAIRMAN
ALVARO VÁZQUEZ DE LAPUERTA ALEJANDRO ABOUMRAD GONZÁLEZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	CEMENTOS PORTLAND VALDERRIVAS, S.A.	REPRESENTATIVE OF THE DIRECTOR INMOBILIARIA AEG, S.A. DE C.V.
	FCC AQUALIA, S.A.	DIRECTOR AND CHAIRMAN OF THE BOARD OF DIRECTORS
PABLO COLIO ABRIL	FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.U.	CHAIRMAN
	FCC CONSTRUCCIÓN, S.A.	CHAIRMAN
	FCC ENVIRONMENT (UK) LIMITED	DIRECTOR
	FCC MEDIO AMBIENTE REINO UNIDO, S.L.U.	DEPUTY CHAIRMAN
	FCC MEDIO AMBIENTE, S.A.U.	CHAIRMAN
	FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.U.	DEPUTY CHAIRMAN
	FCC AQUALIA, S.A.	DIRECTOR
	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
ESTHER ALCOCER KOPLOWITZ	FCC AUSTRIA ABFALL SERVICE AG	CHAIRMAN
	REALIA BUSINESS, S.A.	DIRECTOR
CARMEN ALCOCER KOPLOWITZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR

#### d) Situations of conflicts of interest

No direct or indirect conflicts of interest arose in respect of the company's activities, under the applicable regulations (article 229 of the Spanish Limited Liability Companies Law), without prejudice to the company's transactions with its related parties set forth in these notes to the financial statements or, where appropriate, agreements related to remuneration matters or appointments. In this regard, when specific conflicts of interest have taken place with certain directors, they have been resolved in accordance with the procedure stipulated in the Board of Directors' Rules, with the directors involved abstaining from the corresponding debates and votes.

### e) Transactions with related parties

During the business year, a number of transactions took place involving companies in which shareholders of Fomento de Construcciones y Contratas, S.A. own equity interests, the most significant of which were as follows:

- Execution of construction and service provision contracts between Group companies and investees by other parties related to the controlling shareholder, as follows:

Buying party	Selling party	2022	2021
Realia Patrimonio, S.L.U.	FCC Industrial e Infraestructuras Energéticas, S.A.U.	926	1,193
	FCC Medio Ambiente, S.A.	174	162
	Servicios Especiales de Limpieza, S.A.	508	496
	Fedemes, S.L.	24	13
	Fomento de Construcciones y Contratas, S.A.	2	-
Realia Business, S.A.	FCC Industrial e Infraestructuras Energéticas, S.A.U.	-	2
	FCC Construcción, S.A.	6,326	12,001
	Fomento de Construcciones y Contratas, S.A.	163	142
	Fedemes, S.L.	130	101
	Residencial Turo del Mar, C.B.	9	-
FCYC, S.A.	Jezzine Uno, S.L.U.	1	-
	Aridos de Melo, S.L.	-	296
	FCC Construcción, S.A.	30,170	21,383
	FCC Ámbito, S.A.	4	-
	FCC Medio Ambiente, S.A.	-	9
	Fomento de Construcciones y Contratas, S.A.	50	54
	Fedemes, S.L.	130	112
Hermanos Revilla, S.A.	Realia Business, S.A.	3,560	2,371
	Servicios Especiales de Limpieza, S.A.	134	-
Jezzine Uno, S.L.U.	Fedemes, S.L.	25	-
	Realia Business, S.A.	95	15
AS Cancelas Siglo XXI, S.L.	Fedemes, S.L.	6	-
	FCYC, S.A.	1,990	453
FCC Construcción, S.A.	FCYC, S.A.	-	2
Cementos Portland Valderrivas, S.A.	Realia Patrimonio, S.L.U.	429	90
Fomento de Construcciones y Contratas, S.A.	Realia Patrimonio, S.L.U.	10	11
Fedemes, S.L.	Realia Patrimonio, S.L.U.	5	-
		<b>44,871</b>	<b>38,906</b>



In addition, the following balance sheet balances are maintained:

Receivables	Payable	2022	2021
Realia Patrimonio, S.L.U.	Cementos Portland Valderrivas, S.A.	132	140
	Fomento de Construcciones y Contratas, S.A.	27	24
	FCC Industrial e Infraestructuras Energéticas, S.A.U.	377	349
	FCC Medio Ambiente, S.A.	75	50
	Servicios Especiales de Limpieza, S.A.	273	309
	Fedemes, S.L.	48	1
Realia Business, S.A.	Fedemes, S.L.	13	38
	Fomento de Construcciones y Contratas, S.A.	70,122	120,000
	FCC Construcción, S.A.	4,629	3,386
	FCC Industrial e Infraestructuras Energéticas, S.A.U.	52	27
	FCYC, S.A.	211	-
FCYC, S.A.	Asesoría Financiera y de Gestión, S.A.	257	21
	Fomento de Construcciones y Contratas, S.A.	118,474	32,258
	FCC Construcción, S.A.	3,316	4,857
	FCC Industrial e Infraestructuras Energéticas, S.A.U.	7	-
	Costa Verde Habitat, S.L.	2	169
	Jezzine Uno, S.L.U.	17,618	-
	Realia Business, S.A.	1,437	1,423
	Fedemes, S.L.	13	-
	Fomento de Construcciones y Contratas, S.A.	2,409	2,664
Residencial Turo del Mar, C.B.	Realia Patrimonio, S.L.U.	49	44
	Realia Business, S.A.	32,649	23,017
	FCYC, S.A.	2	3
Hermanos Revilla, S.A.	Realia Business, S.A.	2	3
	Servicios Especiales de Limpieza, S.A.	38	-
Jezzine Uno, S.L.U.	Fedemes, S.L.	3	-
	FCYC, S.A.	3,044	-
AS Cancelas Siglo XXI, S.L.	Realia Business, S.A.	28	36
	Realia Business, S.A.	8319	52
FCC Industrial e Infraestructuras Energéticas, S.A.U.	Realia Patrimonio, S.L.U.	47	-
	Realia Business, S.A.	13	30
FCC Construcción, S.A.	FCYC, S.A.	105	-
	Realia Business, S.A.	459	-
Fedemes, S.L.	Realia Patrimonio, S.L.U.	186	-
Vela Borovica Konzern D.O.O.	FCYC, S.A.	126	126
Realia Business, S.A.	Residencial Turo del Mar, C.B.	291	80
		<b>264,851</b>	<b>189,104</b>

- Service provision agreement between Fomento de Construcciones y Contratas, S.A. with Vilafulder Corporate Group, S.L.U. for a total annual amount of 338 thousand euros.
- Service provision contract between Cementos Portland Valderrivas, S.A. and Mr Gerardo Kuri Kaufmann, for an amount of 175 thousand euros.
- Agreement for the provision of services between Realia Business, S.A. and Gerardo Kuri Kaufmann for €175 thousand.
- In the framework of the debt refinancing associated with the Spanish activities of the Cementos Portland Valderrivas Group in 2016, a subordinated loan agreement was entered into with Banco Inbursa, S.A., Institución de Banca Múltiple, with carrying amount at 31 December 2022 of 70,405 thousand euros (70,085 thousand euros in 2021). On 20 October 2022, the extension of its maturity until 20 October 2025 was signed off. The financial expenses accrued during the year amounted to 1,630 thousand euros.
- Contract for the provision of IT services by Claro Enterprise Solutions, S.L. to Fomento de Construcciones y Contratas, S.A. in the amount of 15,662 thousand euros (13,446 thousand euros in 2021).
- Contracts entered into between Realia Business, S.A. and FCyC, S.A., the purpose of which is the management and marketing, respectively, of residential real estate developments, on plots 18 in Sant Joan Despí, Phase II and plots RU18 and RC-2B in Tres Cantos, Madrid.
- Contract for the reinforcement of air conditioning in the office building at Calle Acanto 22 in Madrid, between FCC Industrial and Infraestructuras Energéticas, S.A.U., and Realia Patrimonio, S.L.U., for the sum of 33 thousand euros.
- Contract for the services provided by FCyC, S.A. to Realia Business, S.A. (legal and administrative assistance, technical and legal assistance in the United Kingdom) for the sum of 349 thousand euros.
- Contract for the services provided by Realia Business, S.A. to FCyC, S.A. (Technical assistance in the acquisition, management and development of Realia land in Spain, management of Valaise real estate and territorial representation in Catalonia) for the sum of 334 thousand euros.

Furthermore, other transactions are carried out under market conditions, mainly telephone and internet access services, with parties related to the majority shareholder for a non-significant amount.

**f) Mechanisms established to detect, determine and resolve possible conflicts of interests between the parent and/or its Group and its directors, executives or significant shareholders**

FCC Group has established specific mechanisms to determine and resolve any possible conflicts of interest between the Group companies and their directors, executives and significant shareholders, as indicated in article 20 and thereafter of the Board of Directors' Rules.

## 19. - ENVIRONMENTAL INFORMATION

As indicated in Note 1 to these financial statements, Fomento de Construcciones y Contratas, S.A. is the parent of FCC Group, which carries out diverse activities that, due to their characteristics, specifically focus on controlling environmental impact. These aspects are described in detail in the “Corporate Social Responsibility” document published annually by the Group through various channels, including the [www.fcc.es](http://www.fcc.es) website. Readers are advised to refer to this information as the best representation of this Note.

## 20. - OTHER INFORMATION

### a) Personnel

The average number of people employed by the company in 2022 and 2021 was as follows:

	2022	2021
Directors and managers	57	59
Supervisors	37	36
Technicians	139	131
Clerical Staff	46	48
Sundry trades	3	3
	<b>282</b>	<b>277</b>

The table below details the average number of people with a disability of 33% or more in 2022 and 2021, pursuant to Royal Decree 602/2016, of 2 December, which introduced new disclosure requirements for companies' financial statements:

	2022	2021
Technicians	2	2
Clerical Staff	3	2
Sundry trades	2	1
	<b>7</b>	<b>5</b>

The numbers of employees, directors and senior executives at the company at 31 December 2022 and 2021, broken down by gender, were as follows:

<b>2022</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
Directors	9	4	13
Senior executives	4	—	4
Directors and managers	38	15	53
Supervisors	23	15	38
Technicians	67	71	138
Clerical Staff	16	30	46
Sundry trades	2	1	3
	<b>159</b>	<b>136</b>	<b>295</b>

<b>2021</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
Directors	10	4	14
Senior executives	4	—	4
Directors and managers	38	15	53
Supervisors	22	13	35
Technicians	67	70	137
Clerical Staff	16	30	46
Sundry trades	1	1	2
	<b>158</b>	<b>133</b>	<b>291</b>

The average number of employees, directors and senior executives of the company, distributed by men and women, was as shown below in the 2022 and 2021 business years:

	<b>2022</b>	<b>2021</b>
Men	159	158
Women	137	132
	<b>296</b>	<b>290</b>

## b) Remuneration to auditors

The fees incurred for auditing and other professional services provided to the Company by the principal auditor, Ernst & Young, S.L. and other participating auditors in 2022 and 2021, are as follows:

	2022			2021		
	Principle auditor	Other auditors	Total	Principle auditor	Other auditors	Total
Audit services	306	-	306	285	-	285
Other assurance services	23	-	23	22	2	24
<b>Total audit and related services</b>	<b>329</b>	<b>0</b>	<b>329</b>	<b>307</b>	<b>2</b>	<b>309</b>
Tax advisory services	-	67	67	-	113	113
Other services	-	582	582	-	128	128
<b>Total professional services</b>	<b>-</b>	<b>649</b>	<b>649</b>	<b>-</b>	<b>241</b>	<b>241</b>
<b>TOTAL</b>	<b>329</b>	<b>649</b>	<b>978</b>	<b>307</b>	<b>243</b>	<b>550</b>

## 21. - SUBSEQUENT EVENTS

As of the date of preparation of these financial statements, no matters of a nature that could modify them or be the subject of additional information to that included in them had been disclosed.



**GROUP COMPANIES at 31 December 2022**

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	ANNEX I/1 2022 profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
	Asesoría Financiera y de Gestión, S.A.U. Federico Salmón, 13 - Madrid -Holding company-	14,010						—	100
Cementos Portland Valderrivas, S.A. Dormilateria, 72 – Pamplona -Cements-	1,019,673	442,817	99.50	—	233,955	335,796	6,978	(153,277)	(129,417)
Egypt Environment Services SAE El Cairo – Egypt -Urban sanitation-	7,760	6,425	dir. 97.00 indt. 3.00	—	8,000	(618)	(5,993)	(1,669)	(1,167)
FCC Aqualia, S.A. Federico Salmón, 13 – Madrid -Water management-	91,115	—	dir. 41.00 indt. 10.00	12,485	145,000	420,783	7,330	68,808	103,445
FCC Concesiones de Infraestructuras, S.L.U. Avenida Camino de Santiago, 40 – Madrid -Concessions-	62	—	100	—	3	2,109	—	677	451
FCC Construcción, S.A. Balmes, 36 – Barcelona -Construction-	1,752,075	549,734	100	—	220,000	566,276	—	97,514	45,363
FCC Servicios Medioambiente Holding, S.A.U. Federico Salmón, 13 - Madrid -Environmental Services-	300,964	—	100	—	10,000	229,988	—	39,237	10,937
FCC TopCo S.à.r.l 48, Boulevard Grande-Duchesse Charlotte Luxembourg -Holding company-	22,263	—	100	2,950	50	19,335	—	(33)	2,962
FCC Versia, S.A.U. Avenida Camino de Santiago, 40 – Madrid -Management company-	62,624	62,624	100	—	120	(37,706)	—	(5)	8,946
FCyC, S.A. Federico Salmón, 13 – Madrid -Real estate-	777,761	—	80.03	—	55,745	693,383	4,258	34,454	29,223
Fedemes, S.L.U. Federico Salmón, 13 – Madrid -Real estate-	11,782	—	100	—	10,301	14,297	—	1,362	1,252
<b>TOTAL</b>	<b>4,060,089</b>	<b>1,061,600</b>		<b>15,435</b>					



**GROUP COMPANIES at 31 December 2021**

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	ANNEX I/2 2021 profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
	Asesoría Financiera y de Gestión, S.A.U. Federico Salmón, 13 - Madrid -Holding company-	14,010						—	100
Cementos Portland Valderrivas, S.A. Dormilateria, 72 – Pamplona -Cements-	1,019,536	250,151	99.49	—	233,955	359,834	4,666	(57,314)	(23,476)
Egypt Environment Services SAE El Cairo – Egypt -Urban sanitation-	7,760	5,814	dir. 97.00 indt. 3.00	—					
FCC Aqualia, S.A. Federico Salmón, 13 – Madrid -Water management-	91,115	—	dir. 41.00 indt. 10.00	24,600	145,000	376,344	7,742	75,912	74,889
FCC Concesiones de Infraestructuras, S.L.U. Avenida Camino de Santiago, 40 – Madrid -Concessions-	62	—	100	—	3	1,429	—	784	680
FCC Construcción, S.A. Balmes, 36 – Barcelona -Construction-	1,752,075	665,838	100	—	220,000	319,197	—	75,534	245,926
FCC Servicios Medioambiente Holding, S.A.U. Federico Salmón, 13 - Madrid -Environmental Services-	300,964	—	100	—	10,000	209,926	—	(362)	20,062
FCC TopCo S.à.r.l 48, Boulevard Grande-Duchesse Charlotte Luxembourg -Holding company-	22,263	—	100	5,696	50	16,431	—	(21)	5,830
FCC Versia, S.A.U. Avenida Camino de Santiago, 40 – Madrid -Management company-	62,624	62,624	100	—	120	(37,330)	—	(10)	(376)
FCyC, S.A. Federico Salmón, 13 – Madrid -Real estate-	777,761	—	80.03	—	55,745	874,126	—	23,188	17,085
Fedemes, S.L.U. Federico Salmón, 13 – Madrid -Real estate-	11,782	—	100	—	10,301	12,942	—	1,783	1,355
<b>TOTAL</b>	<b>4,059,952</b>	<b>984,427</b>		<b>30,296</b>					



## JOINT VENTURES

	Holding %
ALCANTARILLADO MADRID LOTE D	0.01
AQUALIA-FCC-VIGO	0.01
BOMBEO ZONA SUR	1.00
CENTRO DEPORTIVO GRANADILLA DE ABONA	1.00
CONSERVACION GETAFE	1.00
EDAR REINOSA	1.00
FCC SANEAMIENTO LOTE D	100,00
LOTE 4 CULEBRO A	1.00
MANCOMUNIDAD DE ORBIGO	1.00
REDONDELA	0.01
SANTOMERA	0.01



**ASSOCIATES AND JOINTLY CONTROLLED ENTITIES at 31 December 2022**

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	ANNEX III/1 2022 profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
	Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4,367						—	dir. 24.00 indt. 2.00
<b>TOTAL</b>	<b>4,367</b>	<b>—</b>		<b>387</b>					

**ASSOCIATES AND JOINTLY CONTROLLED ENTITIES at 31 December 2021**

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	2021 profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
Sigenera, S.L. Avenida Linares Rivas, 1 bajo – La Coruña -Management Company -	377	118	50	—	433	328	—	(322)	(242)
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4,367	—	dir. 24.00 indt. 2.00	1,144	49,696	25,639	(11,999)	9,512	5,861
<b>TOTAL</b>	<b>4,744</b>	<b>118</b>		<b>1,144</b>					



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FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

***Management Report***

## MANAGEMENT REPORT

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## 1. STATUS OF THE ENTITY

Fomento de Construcciones y Contratas, S.A. is the Parent Company of the FCC Group and holds direct or indirect ownership of the interests in the Group's business and activity areas. Therefore, to provide information on the economic, financial, social and environmental events that occurred during the year and place them in their proper context, the FCC Group's Consolidated Management Report, which includes the consolidated Statement of Non-Financial Information, is reproduced below. The company's non-financial information can be found in the aforementioned report.

### 1.1. Status of the entity: Organisational structure and decision-making process in management

The Group's organisational structure is based on a first level consisting of Areas, which are divided into two main groups: operational and functional.

The operating Areas include all those activities related to the productive line. The following operating areas exist within the Group, as discussed in more detail in note 1 of the Notes to the consolidated financial statements, and also in section 2.2 of the Non-Financial Information Statement:

- i. **Environmental Services.**
- ii. **End-to-end Water Management.**
- iii. **Construction.**
- iv. **Cement Business.**
- v. **Concessions**
- vi. **Real Estate.**

Each of these operating Areas is headed by one or more specialised companies which, depending on FCC, encompass the Group's activities.

In addition, there are the functional Areas, which carry out support tasks for the operational ones:

- 1) **Administration and Finance:** the Administration and Finance Division comprises the Administration, Information Technologies, Finance, Communication, Purchasing and Human Resources areas.

The Administration area directs the administrative management of the Group, and has, among others, the following functions in relation to the Information and Internal Control Systems:

- i. General accounting.
- ii. Accounting standardisation.
- iii. Consolidation.
- iv. Tax advice.
- v. Tax procedures.
- vi. Tax compliance.
- vii. Administrative procedures.

- 2) **Internal Audit and Risk Management:** Its objective is to provide the Audit and Control Committee and Senior Management with an independent and objective opinion on the

Group's ability to achieve its objectives through a systematic and methodological approach for the assessment, management and effectiveness of internal control and risk management processes, assessing the effectiveness and reasonableness of the internal control systems, as well as the functioning of processes according to the procedures, proposing improvements and providing methodological support to the Division in the process of identifying the main risks that affect activities and supervising the actions for their management.

- 3) General Secretary:** reporting directly to the Group's CEO, its main duty is to support the management of the Group, as well as management support for the heads of the other areas of the Group, by providing the services detailed in the corresponding sections of the divisions and departments that make up the Group, which are promoted and supervised by the General Secretary.

It is made up of the following areas: Legal Advice Department, Quality Management, Corporate Security and General Services and Corporate Responsibility.

The Areas, on a second level, can be divided into Sectors, the operational ones, and Divisions, the functional ones, establishing areas that allow greater specialisation when considered necessary.

The structure of the main decision-making bodies is set out below:

- **Board of Directors:** is the body that holds the broadest powers, without any limitation, except those that are expressly reserved, by the Spanish Corporate Enterprises Act or the Articles of Association, for the jurisdiction of the General Shareholders' Meeting.
- **Audit And Control Committee:** its primary function is to support the Board of Directors in its oversight tasks, by periodically reviewing the process of preparing financial and economic information, its internal controls and the independence of the external auditor, as well as conflicts of interest and transactions with related parties.
- **Appointments and Remuneration Committee:** provides support to the Board of Directors regarding proposals for the appointment, re-election, ratification and removal of Directors, establishes and controls the Directors and senior managers' remuneration policy and that Directors perform their duties.
- **Managing Committee:** Each of the business units has a Managing Committee with similar duties.

Further information on the duties of the Group's decision-making bodies is provided in Section 1 of the Internal Financial Reporting Control System (IFRS) and in Section 2.1 of the Non-Financial Information Statement.

## 1.2. Status of the entity: Business model and company strategy

The Group is one of the leading European groups specialising in the environment, water, infrastructure development and management, with a presence in over 30 countries worldwide and nearly 44,6% of its turnover generated in international markets, mainly Europe (30%), Latin America (6.2%), the United States (3.4%), the Middle East (2.9%) and North Africa (1.8%).

### Environmental Services

FCC Medio Ambiente has a strong presence in Spain, and has maintained a leading position in the provision of urban environmental services for over 120 years.

At the national level, the Group provides environmental services in more than 3,500 municipalities and organisations in all the Autonomous Communities, serving a population of more than 31 million inhabitants. Waste collection and street cleaning are two of the most important services in this sector, representing 63% of revenue. They are followed, in order of importance, by disposal of wastes with 12%, cleaning and maintenance of buildings, parks and gardens and, to a lesser extent, sewage. More than 90% of the activity is carried out with public clients.

Moreover, international business is mainly conducted in the United Kingdom, Central Europe and the USA. For years, the Group has held a leading position in the United Kingdom and Central European markets in the integrated management of municipal solid wastes, as well as in the provision of a wide range of environmental services. The various services provided in this sector include treatment and recycling, disposal, waste collection and the generation of renewable energy, with a growing weight and gradual reduction of disposal in controlled landfills.

In the United Kingdom, the entire municipal waste management chain is operated, with a particular emphasis on the recycling and recovery process, including thermal recovery, of products and by-products, subject to maximum environmental sustainability criteria. It boasts more than 200 recycling facilities throughout the country and more than 100 MW of installed renewable capacity.

In Central Europe, the Group provides services in seven countries (Austria, Czech Republic, Slovakia, Poland, Hungary, Romania and Serbia) to a total population of 4.3 million inhabitants, 1,400 municipalities and more than 51,500 private customers. The range of services provided and the geographical dispersion is very diverse and balanced, including municipal and industrial collection, mechanical and biological treatment, incineration, landfill, street cleaning, snow collection, recycling, building cleaning, soil decontamination work, etc. This broad diversification ensures great business stability in a market with major barriers to entry and the possibility of providing an integrated service to many customers.

Internationally, there has been strong growth in the USA, where the year-on-year growth in sales in 2022 stood at 121%. FCC now ranks among the Top 15 companies in the sector in the USA, with expectations of being in the Top 10 in the next two years. FCC Environmental Services already serves more than 10 million citizens, is the largest recycler in Texas, and has an important presence in Florida in cities as important as Orlando, Tampa, Palm Beach, Daytona Beach, Lakeland and Wellington as well as significant operations in both the Midwest and the West Coast. Growth continues to be exponential and the company now employs more than 1,800 people. During 2022, work has begun under four new contracts in Florida and California, with an additional backlog of more than €1 billion contracted.

Finally, the Environmental Services Area also specialises in the end-to-end management of industrial and commercial waste, recovery of by-products and soil decontamination, through the FCC Ámbito brand, which encompasses a group of companies with an extensive network of management and recovery facilities. This enables proper waste management, ensuring the protection of the environment and people's health. In 2022, this activity represented almost 5% of the area's income.

Strategically, in Spain, as has been the case for years, actions will focus on maintaining competitiveness and a leading position, combining know-how and the development of innovative technologies, offering respectful, inclusive and sustainable services (combating climate change and reducing the carbon footprint). Efforts shall also be made to harness potential opportunities offered by stricter regulations and new services (smart cities), the ultimate objective of which is to replace the straight-line production model with a circular model that reincludes residual

materials into the production process, given the high level of technical knowledge that the company has and the development of new machinery and innovative processes, with a presence, either as leaders or collaborators, in a large number of R&D&i projects.

The inclusion of new technologies will make it possible for the company to consolidate itself in the recycling and waste recovery markets in Europe and position itself as a key player in the circular economy, with a change in the business model in the Czech Republic, Slovakia and Poland (Austria is a mature and developed market) towards further treatment and development of energy recovery technology using waste (incineration and fuel generation) given that the legal situation (prohibition of landfills or taxes on landfills) has already been defined and this transition is essential to maintaining the competitiveness and market share. Another essential strategic objective is the increase in the quality and quantity of reusable raw materials to meet the EU's ambitious targets (Circular Economy) by investing in selective collection and automatic sorting facilities. In the United States, the company will continue to consolidate its presence in the coming years by growing more residential contracts and boosting commercial collection activity.

There is a broad commitment to climate change, materialised for example in the issuance of green bonds to finance the operation and acquisition of assets developed by the area.

### **End-to-end Water Management**

FCC Aqualia serves nearly 43,5 million users and provides services in 17 countries, offering the market all the solutions to the needs of public and private entities in all phases of the end-to-end water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's activity is focused on Concessions and Services, encompassing proprietary integrated cycle infrastructures and concessions, BOT, operation and maintenance services and irrigation; as well as Technology and Networks activities encompassing EPC contracts and industrial water risk management activities.

In 2022, the market in Spain represents 65% of revenue. On a like-for-like basis, water consumption has grown in Spain as a whole in 2022 by 0.8%, which reflects the lifting of COVID-19 restrictions, with the amount invoiced increasing by 4% compared to 2021. Furthermore, there has been an improvement in Operation and Maintenance (O&M) activities, efficiency improvements in operations and a higher volume of works undertaken in relation to concession agreements.

In the public sphere, following the effects of the pandemic seen in previous years, the level of bidding for concessions for the end-to-end management of water services, operation and maintenance as well as hydraulic infrastructure concessions, has returned to normal.

The international market reached a turnover of 35%. FCC Aqualia focuses its activity in Europe, North Africa, the Middle East and the Americas, with ongoing contracts in 16 countries at present.

In 2022, an 80% interest in Georgian Global Utilities (GGU) was acquired; this company owns and operates the end-to-end water cycle service infrastructures in Tbilisi, the country's capital, as well as in two other nearby towns, Mtskheta and Rustavi. In total, the company serves a population of 1.4 million residents.

FCC Aqualia seeks to maintain its competitive position in those end-to-end water management markets where it has an established presence (Europe) and to take advantage of the opportunities that arise in this activity. In other expanding markets, it plans to boost growth via BOT and O&M (North Africa, Latin America and the Middle East), along with end-to-end cycle management,

while the study of possibilities in others (such as the USA) will continue. In addition, FCC Aqualia will use its extensive experience in end-to-end water cycle management for business opportunities in countries with a stable political and social balance.

## **Construction**

The Construction Area focuses its activity on the design, development and construction of large civil, industrial and building infrastructure projects. The presence in public works of complex elements such as railways, tunnels and bridges stands out, which together with those involving installation and industrial maintenance, form a large part of the activity. It has a selective presence in more than 16 countries across Europe, MENA and America.

Its teams have the experience, technical training and innovation to participate in the entire project value chain, from the definition and design, to its complete execution and subsequent operation.

In 2022, 55.8% of total revenues will come from abroad, including the execution of major infrastructure projects such as lines 4, 5 and 6 of the Riyadh Metro (Saudi Arabia), Tren Maya (Mexico), A-465 (United Kingdom), Lima Metro (Peru), Industrial Bridge (Chile), Toyo Tunnel (Colombia), Sotra Link (Norway), A-9 Badhoevedorp-Holendrecht motorway (Netherlands), and the Gurasada-Simeria railway line (Romania) - Sectors 2a, 2b and 3.

In 2022, the award of the following construction contracts abroad is worth particular mention: NEOM Running Tunnels (Saudi Arabia), the RV.555 Sotrasambandet "Sotra Connection" highway (Norway), the rehabilitation of 53 km of the Cluj Napoca – Episcopia Bihor railway (Romania), the modernisation of the railway line between Caransebes-Timisoara-Arad lot 4 (Romania), the Regional Express Rail On-Corridor in Ontario (Canada), Scarborough Subway Extension (Canada), the construction and rehabilitation of 9 bridges in Pennsylvania (USA) and the "Melbourne Airport Rail Maribyrnong River Bridge" in Australia, which represents the first project in this country for FCC Construcción.

As regards Spain, worth particular mention are the awards of the Murcia-Almería High-Speed Mediterranean Corridor platform, Totana-Totana section (Murcia), the construction of the new Puertollano Hospital (Ciudad Real) and the expansion and refurbishment (Phase I) of the Cabueñes University Hospital (Gijón, Asturias).

## **Cement**

The Group carries out its cement activity through the Cementos Portland Valderrivas Group. Its core business is cement manufacturing, which accounted for 92% of its turnover in 2022. The remaining percentage was contributed by the concrete, mortar and aggregate businesses.

In terms of geographical diversification, by 2022, 39% of income came from international markets. The Cementos Portland Valderrivas Group is present in Spain, Tunisia and via export in the United Kingdom. Exports from these three countries also go to Africa, Europe and America.

It boasts a leading position both in its main market, Spain, and in the Tunisian market.

The main objective of the Cementos Portland Valderrivas Group is to maintain a competitive edge both regarding costs and in the markets in which it operates, seeking to remain a leader in the sector in all the countries in which it is present.



## Real Estate

The Area is mainly active in property development and office rental. During 2022, it has consolidated its position as a relevant area of the Group, following the corporate transactions described below.

Following the corporate transactions performed at the end of 2021, as described in Note 4 of the financial statements, the Group has an 80.03% interest in the parent company of the FCyC, S.A. In turn, FCyC, S.A. holds an 53.49% interest in Realia Business and a 100% interest in Jezzine Uno, S.L.U. whose corporate purpose is the rental of 405 office buildings to Caixabank distributed across Spain as part of a lease framework agreement that ends in 2037. These operations have increased the size of FCC Inmobiliaria with the following objectives:

- Consolidating a solid and large real estate group, with greater management efficiency derived from operational and financial synergies that enable it to take advantage of growth opportunities in the sector.
- Diversifying FCC Inmobiliaria's risk and geographic opportunities by extending its activity to new areas of operations in which it was not already present.
- Significantly increasing the contribution of Realia's and Jezzine's recurring rental property activity to FCC Inmobiliaria as a whole, whose asset assessments at December 2022 accounted for more than 72% of the area's total.

Furthermore, it should be noted that in May 2022, FCC Inmobiliaria made a bid for the acquisition of 24% of the shares in Metrovacesa S.A., thus taking its interest in the company's share capital to 11.47%. Subsequently, it increased its interest to 13.81% by the end of the year. Metrovacesa is a Spanish real-estate developer, whose main activity is the development and sale of residential properties. Its activities are performed in the main Spanish cities (including but not limited to Madrid, Barcelona, Malaga or Valencia), as well as smaller cities with high potential.

FCC Inmobiliaria considers that the acquisition of a significant interest, although a non-controlling interest, in Metrovacesa, enhances the solidity of the real-estate area, thus benefitting from its cash-flow generation capacity.

## 2. 2. BUSINESS PERFORMANCE AND RESULTS

### 2.1. Operating performance

#### 2.1.1. Significant Events

##### **FCC Construcción grows its international portfolio to over €4,700 million**

FCC Construcción has grown its global portfolio (+65% year-on-year), both nationally and internationally, which came in at over €4,700 million at year-end, with the following awards worth particular mention:

- Last June a consortium, the contract to build the first tunnels for high-speed and freight railways in Saudi Arabia, as well as the 28-kilometre-long subways in the new city of Neom for €775.2 million, with FCC Construcción leading the consortium.
- In Norway and as part of a consortium with other firms in which the company holds a 35% stake, the design and construction of the Sotra Link project. This project involves the construction of the RV 555 motorway, which will link the island of Sotra with the city of Bergen. This project forms part of the PPP Sotra Connection, the largest road infrastructure contract in Norway, with an overall budget of more than €1,230 million, to be implemented as part of a public-private collaboration model. At 31 December, the amount included in the backlog came to €450.6 million.
- Two railway contracts in Romania for the combined amount of €580 million: the design and construction of the rehabilitation of section 3 Poieni-Alesd and the modernisation of the Caransebes-Timisoara-Arad route.
- An amendment to the construction contract for the Maya Train was signed in Mexico to adjust the performance period and add a further €250 million to the value of the contract.
- In Canada:
  - In March, the consortium in which FCC Construcción holds a 50% interest was the first bidder for the construction of a suburban railway line in Toronto (RER-3). The contract includes the design, construction, operation and maintenance of a commuter rail network in the metropolitan area. The project has a total budget of more than €4 billion, though notably the award and contract performance phase will be progressive based on the agreement reached between the parties. At 31 December, the amount included in the backlog was €160 million.
  - In November, FCC was awarded 50% of the Stations, Trains and Systems (SRS) contract for the Scarborough Subway extension project, a town located in the eastern part of Toronto, for the amount total of approximately €1,800 million. At 31 December, the amount included in the backlog was €121 million.
- In December, the company was awarded, as part of a consortium, the Major Bridge P3 project in Pennsylvania, USA, consisting of the design, construction, financing and maintenance of six bridges as well as the highway that connects them and the associated infrastructure. The total value of the contract comes in at €1,500 million and at year-end, works for the sum of €123.5 million had been consigned in the backlog.

**FCC Medio Ambiente increases its presence in the USA, in waste collection and treatment, with contracts in place worth more than €1,000 million**

The subsidiary of FCC Medio Ambiente that provides integrated urban waste management and recycling services in the United States has been awarded several contracts:

- In April, the renovation and operation of a municipal solid waste treatment environmental complex in Placer County (California), involving a portfolio of some \$1.5 billion for a 10-year term and two possible five-year extensions. At 31 December, the registered backlog came to €595 million.
- In May, it won the tender for the residential collection of municipal solid waste (MSW) in the city of Port Saint Lucie, Florida. The contract, which started in September, involves a backlog of more than €281 million for a term of seven years, extendable for three additional years.
- Staying in the same state, the company was awarded the contract for the collection of MSW in the city of Palm Coast and Lake County, for the combined amount of €146 million and collection from the remaining public schools in Hillsborough County for the coming 3 years.

In December, a new acquisition was also made in the North American market following the buy-out of Houston Waste Solutions (HWS), one of the largest commercial MSW companies in the Houston metropolitan area. HWS also owns and operates a construction and demolition waste transfer centre in the city. The company serves more than 3,000 customers, with a fleet of 40 lorries, employing 70 people.

**FCC Medio Ambiente maintains its leadership position in Spain, with new contracts worth more than €2,300 million**

In Spain, FCC Medio Ambiente increased the size of its portfolio by more than 30%, as a result of several awards and renewals: in Zaragoza for urban waste collection and street cleaning in the capital, for more than €627 million over the next 10 years; in Madrid, the MSW contract for the West zone worth €446 million; in Vigo for waste management and street cleaning for the next 10 years, extendable to 12, for €380 million; renewal of the street cleaning and waste collection contract with the renovation and operation of the light packaging sorting plant in Salamanca, with a backlog of more than €236 million over the next 12 years; the award of the street cleaning and MSW contract (as part of a joint venture) in Alicante for the next 8 years worth €196 million; renewal of the urban sanitation contract in Gerona for 8 years for €107 million; extension for 8 years of the Badajoz City Council contract for street cleaning and waste collection, for €94 million; in Mijas the awarding of the street cleaning and MSW service for 10 years for €80 million and in Granollers (as part of a joint venture), waste collection and street cleaning services for the next 10 years worth €47 million.

Also in relation to treatment, in March the joint venture in which FCC Medio Ambiente holds a 29% interest was awarded the contract for the management of the waste complex on the island of Tenerife, for an attributable amount of €107.7 million and with a contract term of 15 years, extendable for a further four years.

**FCC Aqualia awarded new contracts in Saudi Arabia and expands its international end-to-end water cycle management platform**

FCC Aqualia has been awarded two new management, operation and maintenance (MOM) contracts in Saudi Arabia for the Southern Cluster and Northern Cluster in the months of February and September, respectively. The contracts (two of the six awarded in which the country has been divided) are for 7 years; the total population served will come to eight million people and the combined associated backlog amounts to €196 million.

In July, FCC Aqualia acquired 100% of the assets of Saur Colombia SAS, including six concessionary companies responsible for the production and distribution of drinking water and sewage in eleven towns across three regions on the northern coast of Colombia. Together, the various acquisitions undertaken in relation to the country's water cycle management amounted to €24 million.

In February, FCC Aqualia purchased 80% of the water business owned by Georgia Global Utilities JSC (GGU), the owner and operator of the water cycle infrastructures in Tbilisi, Mtskheta and Rustavi, Georgia, with an incorporated income backlog of €3,589 million at year-end.

#### **FCC Concesiones acquires 100% of the Murcia tram for €48.5 million**

In November, FCC Concesiones completed the buy-out of the remaining 50% of Sociedad Concesionaria Tranvía de Murcia for €48.5 million. The company manages the only line in the city for a period of 40 years, providing regular transport under a municipal concession. Its "V"-shaped structure is 18 kilometres long and connects the northern area of Murcia (universities, department stores and residential areas) to the city centre.

#### **The Real Estate area steps up its development potential acquiring a share in Metrovacesa**

On 24 April, the head of the Group's real estate area, FCC Inmobiliaria, launched a partial takeover bid for 24% of the capital in Metrovacesa; following this transaction, and based on the results published by the stock market regulator on 21 June, this saw the company's share in Metrovacesa come to 11.47%. Subsequently, last December, Metrovacesa distributed a scrip dividend, after which and based on the most recent notification sent to the National Securities Market Commission, FCC Inmobiliaria's holding amounts to 14.3%.

## 2.1.2. Executive Summary

KEY FIGURES			
(million euros)	Dec. 22	Dec. 21	Chg. (%)
Revenue	7,705.7	6,659.3	15.7%
Gross Operating Profit (EBITDA)	1,311.4	1,126.6	16.4%
<i>EBITDA Margin</i>	17.0%	16.9%	0.1 p.p
Net Operating Profit (EBIT)	610.5	802.2	-23.9%
<i>EBIT Margin</i>	7.9%	12.0%	-4.1 p.p
Income attributable to the parent company	315.2	580.1	-45.7%
Equity	4,939.0	4,440.7	11.2%
Net financial debt	3,192.7	3,225.7	-1.0%
Backlog	40,273.8	30,196.9	33.4%

This year, the FCC Group saw its revenue increase to €7,705.7 million, 15.7% up on 2021. The positive performance seen in all business activities is worth particular note, with double-digit increases. Particularly impressive was the growth in the Real Estate area, thanks to the wider perimeter of consolidation following the corporate transactions undertaken at the end of 2021.

Gross operating income (Ebitda) increased by 16.4% to €1,311.4 million. This is attributable to the combination of the increase in revenues and sustained operating margins in many activities, including the increases seen in the Water and Real Estate areas on account of the various acquisitions made, while the Cement area saw its revenue drop due to the higher costs of energy incurred as part of its operations. All in all, the gross operating margin stood at 17%, slightly up on last year.

In turn, Ebit came to €610.5 million, down on account of the aforementioned increase in Ebitda; this year, the figure included the reduction in the book value of goodwill in the Cement area for the sum of €200 million, attributable to the aforementioned adverse circumstances affecting its operating expenses. This contrasts with the positive net contribution of several items in 2021 under this heading, coming to a total combined value of €127.9 million, including the adjustment of the market value of several rental assets in the Real Estate area following their inclusion in the global consolidation perimeter.

Attributable net income reached €315.2 million, 45.7% down year-on-year. This change is attributable, in addition to the aforementioned performance of Ebit, the joint effect of a €56.5 million drop in Earnings from companies under the equity accounting method and Other financial profit/(loss), which, spread across several headings, include the 2021 impact of the sale of minority holdings in different companies, mainly concessions and energy.

Net financial debt ended the year at €3,192.7 million, slightly down compared to the end of 2021. This stable performance was achieved at the same time as significant investments were made in the year (with net payments of €1,010.6 million), in addition to the incorporation of the operating debt of various companies acquired on to the balance sheet, including GGU (owner and operator of the end-to-end water cycle in the Georgian capital) in the Water area and the Murcia tram in Concessions, with combined financial debt coming to €289.1 million.

Equity, standing at €4,939 million, grew by 11.2% compared to the figure recognised at the end of 2021, largely attributable to the contribution of consolidated profit for the year.

The FCC Group's income backlog stood at €40,273.8 million at year-end, maintaining the sustained growth seen throughout the year and generating an increase of 33.4%, with a notable increase in all business areas, with particular mention going to the volume of contracts in the Water area and the 65.4% variation seen in Construction.

### 2.1.3. Summary by Business Area

(Million Euros)

Area	Dec. 22	Dec. 21	Chg. (%)	% of 22 total	% of 21 total
<b>REVENUE BY BUSINESS AREA</b>					
Environment	3,641.1	3,244.9	12.2%	47.3%	48.7%
Water	1,323.2	1,169.5	13.1%	17.2%	17.6%
Construction	1,966.9	1,659.6	18.5%	25.5%	24.9%
Cement	516.5	433.8	19.1%	6.7%	6.5%
Real Estate*	270.8	147.9	83.1%	3.5%	2.2%
Corporate serv. and others	(12.8)	3.6	N/A	-0.2%	0.1%
<b>Total</b>	<b>7,705.7</b>	<b>6,659.3</b>	<b>15.7%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>REVENUE BY GEOGRAPHICAL AREA</b>					
Spain	4,271.2	3,943.8	8.3%	55.4%	59.2%
United Kingdom	1,048.4	855.6	22.5%	13.6%	12.8%
Rest of Europe and Others	879.7	811.5	8.4%	11.4%	12.2%
America	760.3	376.0	102.2%	9.9%	5.6%
Czech Republic	385.4	346.6	11.2%	5.0%	5.2%
Middle East & Africa	360.7	325.8	10.7%	4.7%	4.9%
<b>Total</b>	<b>7,705.7</b>	<b>6,659.3</b>	<b>15.7%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>EBITDA**</b>					
Environment	593.1	535.1	10.8%	45.2%	47.5%
Water	350.2	298.9	17.2%	26.7%	26.5%
Construction	122.8	102.6	19.7%	9.4%	9.1%
Cement	30.3	76.1	-60.2%	2.3%	6.8%
Real Estate*	142.6	40.0	N/A	10.9%	3.6%
Corporate serv. and others	72.4	73.9	-2.0%	5.5%	6.6%
<b>Total</b>	<b>1,311.4</b>	<b>1,126.6</b>	<b>16.4%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>OPERATING PROFIT/(LOSS)</b>					
Environment	304.7	285.4	6.8%	49.9%	35.6%
Water	203.8	181.3	12.4%	33.4%	22.6%
Construction	89.4	71.1	25.7%	14.6%	8.9%
Cement	(203.3)	(90.3)	125.1%	-33.3%	-11.3%
Real Estate*	165.7	298.3	-44.5%	27.1%	37.2%
Corporate serv. and others	50.2	56.4	-11.0%	8.2%	7.0%
<b>Total</b>	<b>610.5</b>	<b>802.2</b>	<b>-23.9%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>NET FINANCIAL DEBT</b>					
Corporate					
With recourse	(840.1)	(326.0)	157.7%	-26.3%	-10.1%
Without recourse	87.1	0.5	N/A	2.7%	0.0%
Areas					
Environment	1,227.6	1,289.7	-4.8%	38.5%	40.0%
Water	1,642.8	1,247.6	31.7%	51.5%	38.7%
Cement	157.6	124.4	26.7%	4.9%	3.9%
Real Estate*	917.7	889.7	3.1%	28.7%	27.6%
<b>Total</b>	<b>3,192.7</b>	<b>3,225.7</b>	<b>-1.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>BACKLOG</b>					
Environment	13,255.5	10,746.4	23.3%	32.9%	35.6%
Water	20,312.7	15,361.1	32.2%	50.4%	50.9%
Construction	6,586.0	3,981.3	65.4%	16.4%	13.2%
Real Estate*	119.6	108.1	10.6%	0.3%	0.4%
<b>Total</b>	<b>40,273.8</b>	<b>30,196.9</b>	<b>33.4%</b>	<b>100.0%</b>	<b>100.0%</b>

\*Real Estate presents its consolidated key figures for both business years separately.

#### 2.1.4. Income Statement

<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
<b>Revenue</b>	<b>7,705.7</b>	<b>6,659.3</b>	<b>15.7%</b>
<b>Gross Operating Profit (EBITDA)</b>	<b>1,311.4</b>	<b>1,126.6</b>	<b>16.4%</b>
<i>EBITDA Margin</i>	<i>17.0%</i>	<i>16.9%</i>	<i>0.1 p.p</i>
Provision for amortisation of fixed and non-current assets	(519.7)	(452.3)	14.9%
Other operating income	(181.1)	127.9	N/A
<b>Net Operating Profit (EBIT)</b>	<b>610.5</b>	<b>802.2</b>	<b>-23.9%</b>
<i>EBIT margin</i>	<i>7.9%</i>	<i>12.0%</i>	<i>-4.1 p.p</i>
Financial income	(119.1)	(110.5)	7.8%
Other financial profit/(loss)	29.6	57.5	-48.5%
P/L of companies accounted for by the equity method	29.6	58.2	-49.1%
<b>Profit/(loss) before tax from continuing activities</b>	<b>550.7</b>	<b>807.5</b>	<b>-31.8%</b>
Company tax on profits	(72.7)	(130.2)	-44.2%
<b>Income from continuing operations</b>	<b>477.9</b>	<b>677.3</b>	<b>-29.4%</b>
<b>Net Income</b>	<b>477.9</b>	<b>677.3</b>	<b>-29.4%</b>
Non-controlling interests	(162.7)	(97.1)	67.6%
<b>Income attributable to the parent company</b>	<b>315.2</b>	<b>580.1</b>	<b>-45.7%</b>

##### 2.1.4.1. Revenue

Consolidated revenue grew to €7,705.7 million, up by 15.7% year-on-year. This performance was maintained throughout the year as a result of the combination of sustained organic growth in all business areas, enhanced by the contribution to the perimeter of the acquisitions made in the Real Estate and Water areas.

By the different business areas:

Environment recorded an increase of 12.2%, thanks to the general expansion in its various operating platforms, mainly due to the combination of the entry into service of new treatment contracts and street cleaning activity in Spain and collection and treatment in the USA, together with the increase in revenues in Central Europe and the UK, especially linked to waste treatment and recovery activities.

The revenue recognised by the Water area grew by 13.1%, on account of several factors, including the contribution of the end-to-end cycle management operations acquired in Georgia combined with the recovery in consumption across all geographies in the main water cycle management activity, mitigating the lower-than-expected contribution of Technology and Networks activities as a number of one-off international projects came to an end.

In Construction, revenue experienced growth of 18.5% compared to 2021, with a notable increase in Mexico, the UK and the Netherlands, although this was dragged down to some extent by completed or advanced projects, especially in Spain and Belgium.



The Real Estate area, for which figures have been presented separately since the fourth quarter of last year, enjoyed a significant increase in revenue to €270.8 million, up by 83.1% year-on-year, thanks both to the inclusion of Realia and Jezzine in the global consolidation perimeter in November 2021 and the increase in income during this period from both development activity and, to a lesser extent, from rental property.

Finally, in the Cement area, revenue enjoyed double-digit growth of 19.1% during the period, largely due to the increase in sales in Spain and exports.

<b>Revenue breakdown by geographical area</b>			
<i>(Million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
Spain	4,271.2	3,943.8	8.3%
United Kingdom	1,048.4	855.6	22.5%
Rest of Europe and Others	879.7	811.5	8.4%
America	760.3	376.0	102.2%
Czech Republic	385.4	346.6	11.2%
Middle East & Africa	360.7	325.8	10.7%
<b>Total</b>	<b>7,705.7</b>	<b>6,659.3</b>	<b>15.7%</b>

Geographically, Spain reduced its relative contribution, down to 55.4% of the Group's total revenue, on €4,271.2 million, although this represented a year-on-year increase of 8.3%. With regards to the different areas of activity, the Environmental area's revenues rose by 7.5% due to the increase in all main activities of the waste management chain, especially collection and street cleaning. The Water area's revenues rose by 5.8%, due to a progressive recovery in the non-domestic volumes invoiced in end-to-end cycle concessions and water network actions linked to concessions. The contribution of the Construction area dropped by 1.7%, with a slowdown in expected project development. In the Cement area, revenue progressively increased to 19.7%, with an expansion attributable to higher sales prices. The Real Estate activity, which is concentrated entirely in Spain, has seen its revenues increase substantially (by €122.9 million), due both to the aforementioned integration of the Realia and Jezzine groups within its parent company, FCC Inmobiliaria, and to its increased property development activity this year. Lastly, it is worth mentioning that the Concessions area (included in the Corporate Services and Others heading, after completing the sale of some of its most significant concessions in the first quarter of 2021 and acquiring control of the Murcia tram in November) contributed €41 million in revenue this year, compared to €55 million last year.

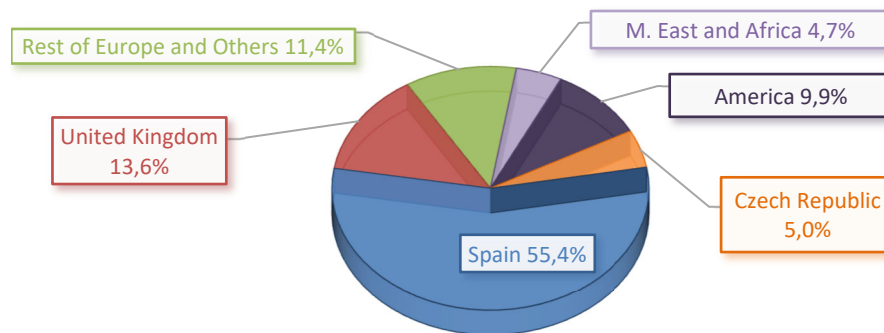
Moreover, revenue in the United Kingdom were up by 22.5% to €1,048.4 million, largely due to the recovery of the municipal waste treatment plant and recovery activity in the Environment area combined with an increase in concession activity in the Construction area.

In the EU, the Czech Republic registered an increase of 11.2% to €385.4 million, with a larger increase in waste management services in the Environment area and a more moderate increase in the end-to-end water cycle activity in the Water area. In turn, the Rest of Europe and Others, accounting for €879.7 million, saw growth of 8.4%, largely attributable to higher revenues linked to the end-to-end water cycle activity in Georgia. The level of activity registered by the Construction area slowed down, with the awarding of new contracts and the development of those in progress failing to fully offset the completion of and progress with other projects (in the case of Belgium).

Revenue in America, both in Latin America and the US, increased significantly by 102.2%, to €760.3 million, largely attributable to the increase in the execution of civil works projects in the Construction area, especially in Mexico, as well as the continued expansion of Environment in the collection and treatment of municipal waste in the USA.

Lastly, in the Middle East and Africa, activity recovered over the course of the year, with 10.7% growth, amounting to €360.7 million, largely as a result of the increase in activity as part of contracts under management in Water and the higher contribution of Construction in Saudi Arabia.

**% Revenue by geographical area**



#### 2.1.4.2. Gross Operating Profit (EBITDA)

The Gross Operating Profit for the year amounted to €1,311.4 million, an increase of 16.4% compared to the previous year. This amount represents a 17% margin over income, similar to the 16.9% achieved in 2021, but with some significant key components: In a positive sense (i) the increase generated by the increase in revenues in the Environment and Construction areas together with Water, reinforced by higher operating profitability (ii) the contribution of rental activity in the Real Estate area, with an additional contribution of €82.4 million this year. On the negative side, (iii) the impact of higher energy costs, particularly noteworthy in the Cement area, which, combined with the fact that no emission rights were sold this year, saw a reduction in its Ebitda of €45.8 million as well as (iv) variations in the consolidation perimeter of various transport concession assets, on account of the sale executed in the first quarter of 2021 and the buy-out undertaken in the fourth quarter of 2022, which resulted in a drop in the net contribution of €5.9 million this year.

By business area, the most noteworthy developments have been:

The Environment area recorded €593.1 million, a 10.8% increase, in line with the revenues distributed across all activities of the value chain. The operating margin came in at 16.3%, similar to the 16.5% seen the previous year, with a balanced increase in the different types of services and by geographical area, notably in the USA.

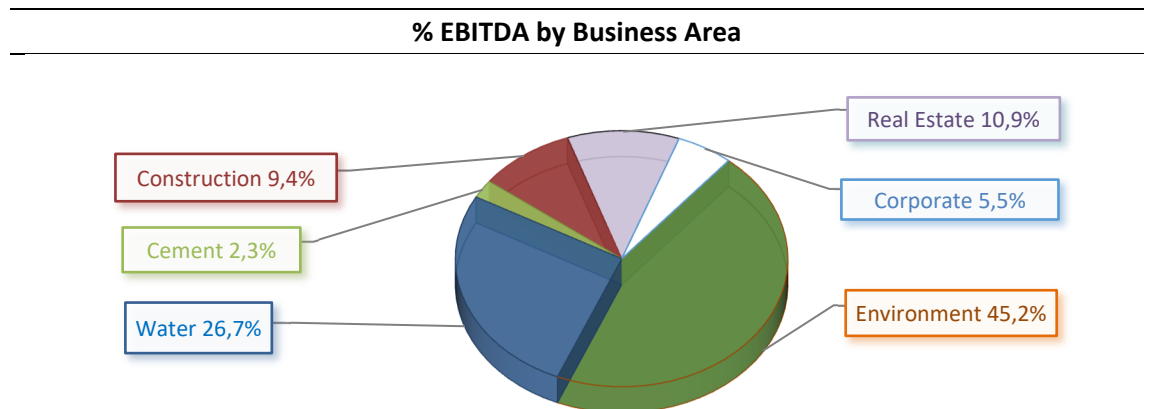
The Water area came in at €350.2 million, up by 17.2% year-on-year, thanks to the increased contribution of concessions and services activities, in particular following the acquisition made in Georgia, which, combined with the impact of higher non-domestic volume and tariffs in the main activity, offset the increase in energy costs. The margin therefore grew to 26.5% compared to 25.6% in 2021.

The Construction area recorded €122.8 million, up by 19.7% compared to 2021, improving the scheduling of projects by readjusting the margin anticipated in certain international contracts. This saw the operating margin maintained at 6.2%, similar to the figure recorded the previous year.

In Cement, EBITDA came to €30.3 million, a significant drop compared to the €76.1 million registered the previous year; this can mainly be attributed to the aforementioned impact of higher energy costs combined with the fact that no income was generated on the sale of CO<sub>2</sub> (compared to €7.8 million in 2021).

The Real Estate area saw notable progress, recording €142.6 million, compared to €40 million the previous year, largely due to the consolidation of the Jezzine and Realia rental property activity in November 2021 (an increase in the combined contribution of rental assets of €82.4 million this year) together, albeit to a lesser extent, with the higher contribution made by the development and sale of land.

Corporate Services and Others include the infrastructure concession activity, to which the activity of the Cedinsa subgroup contributed until the end of the first quarter of 2021 and to which 100% of the Murcia tram concession now contributes following the buy-out of the remaining 50%; this is why the contribution of this activity dropped from €37.2 million in 2021 to €31.1 million this year



The performance of the utilities areas of Environment and Water maintained their high contribution to consolidated operating profit of 71.9% for the year as a whole. When adding in the recurring activity of real estate rental assets and concessions, this percentage contribution increases to 80.5% of the total.

#### 2.1.4.3. Net Operating Profit (EBIT)

Net operating profit amounted to €610.5 million, 23.9% down on the previous year. This result reflects, in addition to the changes in gross operating profit, two other key factors in Other Operating Income/(Losses), namely: (i) This year, a €200 million adjustment was made to the value of goodwill in the Cement area, reflecting the impact of higher energy costs and (ii) in the opposite direction, in 2021, there was a net positive impact of €105.7 million, attributable to the accounting result generated by the global consolidation of Realia, raising the previously recorded level of the value of its rental real estate assets, of €241.7 million combined with the negative accounting impact of €136 million generated when adjusting the value of tangible fixed assets and goodwill in the Cement area.

#### 2.1.4.4. Earnings before Taxes (EBT) from continuing operations

Earnings before tax from continuing activities came in at €550.7 million, 31.8% down on the €807.5 million generated in 2021. This result can largely be attributed to the performance operations, accompanied by a drop in Other profit/(loss) and the contribution of investees.

Thus, the performance was as follows for the various components:

##### 2.1.4.4.1. *Financial income*

The net financial profit/(loss) recognised came to -€119.1 million, compared to -€110.5 million the previous year, an increase of 7.8, reflecting both the limited effect of the increase in the average cost of financing and, to a greater extent, the average balance of financial debt this year compared to last one; this is largely attributable to the aforementioned expansion of the perimeter of Real Estate activities in the fourth quarter of 2021.

##### 2.1.4.4.2. *Other financial profit/(loss)*

This heading includes an amount of €29.6 million in 2022, compared to €57.5 million last year. The positive contribution can be attributed to exchange rate of certain currencies compared to the euro, while the reduction compared to 2021 is on account of the €26.6 million contribution of profit generated on the disposal of several investees in the Concessions and Construction areas the previous year.

##### 2.1.4.4.3. *Profits/(losses) of companies accounted for by the equity method*

The contribution made by investee companies came to €29.6 million, €28.6 million down on the previous year. This drop was attributable to a combination of factors, including: (i) the €52.7 million profit from the sale of most of the energy assets in which the Group has an interest, which includes both the gain up to the time of sale and the gain on disposal, (ii) the €17.6 million effect of the closing of the sale of the Ceal 9 and Urbicsa transport concessions and (iii) the -€45.9 million losses generated by Realia in the Real Estate area, which, to a large extent, includes its change of consolidation from the equity method to the full consolidation method following the completion of the takeover in November 2021.

#### 2.1.4.5. Income attributable to the parent company

This year, this figure stood at €315.2 million, 45.7% down year-on-year, mainly due to the aforementioned adjustments in the Cement area and the decrease in the contribution of Other financial profit/(loss) and companies accounted for using the equity method, which included the previous year's non-recurring elements described above. Furthermore, corporate income tax includes the sum of €89.6 million this year following the activation of tax loss carryforwards that it is estimated will be offset in the future.

#### 2.1.4.6. Profit and loss statement figures on a pro rata basis

The most significant figures in the income statement, calculated on the basis of the percentage of effective shareholding in each of the subsidiaries, joint ventures and associates, are as follows.

	Dec. 22	Dec. 21	Chg. (%)
<b>Revenue</b>	<b>7,306.0</b>	<b>6,475.4</b>	<b>12.8%</b>
<b>Gross Operating Profit (EBITDA)</b>	<b>1,098.6</b>	<b>1,066.1</b>	<b>3.0%</b>
<i>EBITDA Margin</i>	<i>15.0%</i>	<i>16.5%</i>	<i>-1.4 p.p</i>
<b>Net Operating Profit (EBIT)</b>	<b>449.1</b>	<b>775.9</b>	<b>-42.1%</b>
<i>EBIT margin</i>	<i>6.1%</i>	<i>12.0%</i>	<i>-5.8 p.p</i>
<b>Income attributable to the parent company</b>	<b>315.2</b>	<b>580.1</b>	<b>-45.7%</b>

#### 2.1.5. Balance Sheet

<i>(million euros)</i>	Dec. 22	Dec. 21	Chg. (€M)
Intangible fixed and non-current assets	2,342.1	2,445.2	(103.1)
Property, plant and equipment	3,496.8	2,862.5	634.3
Real Estate investments	2,122.9	2,069.2	53.7
Investments accounted for using the equity method	502.6	533.8	(31.2)
Non-current financial assets	910.6	604.0	306.6
Deferred tax assets and other non-current assets	499.5	559.2	(59.7)
<b>Non-current assets</b>	<b>9,874.5</b>	<b>9,074.1</b>	<b>800.4</b>
Inventory	1,143.2	1,107.3	35.9
Trade and other receivables	2,468.0	2,340.9	127.1
Other current financial assets	221.3	184.4	36.9
Cash and cash equivalents	1,575.5	1,535.5	40.0
<b>Current assets</b>	<b>5,408.0</b>	<b>5,168.1</b>	<b>239.9</b>
<b>TOTAL ASSETS</b>	<b>15,282.5</b>	<b>14,242.2</b>	<b>1,040.3</b>
Equity attributable to shareholders of the parent company	3,387.9	3,007.1	380.8
Non-controlling interests	1,551.1	1,433.6	117.5
<b>Equity</b>	<b>4,939.0</b>	<b>4,440.7</b>	<b>498.3</b>
Subsidies	202.9	192.2	10.7
Non-current provisions	1,141.7	1,167.3	(25.6)
Long-term financial debt	3,860.7	3,294.3	566.4
Other non-current financial liabilities	410.6	438.7	(28.1)
Deferred tax liabilities and other non-current liabilities	430.7	473.4	(42.7)
<b>Non-current liabilities</b>	<b>6,046.6</b>	<b>5,565.9</b>	<b>480.7</b>

Current provisions	148.1	147.9	0.2
Short-term financial debt	1,121.8	1,651.2	(529.4)
Other current financial liabilities	211.3	169.0	42.3
Trade and other payables	2,815.7	2,267.5	548.2
<b>Current liabilities</b>	<b>4,296.9</b>	<b>4,235.6</b>	<b>61.3</b>
<b>TOTAL LIABILITIES</b>	<b>15,282.5</b>	<b>14,242.2</b>	<b>1,040.3</b>

### 2.1.5.1. Property, plant and equipment and investment property

Property, plant and equipment and real estate investments at year-end jointly came to €5,619.7 million, up by €688 million year-on-year. This increase is mainly attributable to the inclusion of the end-to-end water cycle management assets corresponding to GGU in Georgia and, to a lesser extent, investments in the Environment area.

### 2.1.5.2. Investments accounted for using the equity method

Investments accounted for using the equity method amounted to €502.6 million at the end of the year, with the following breakdown of the most significant investments:

- 1) €194.9 million for the stake in companies in the Environment area (recycling and municipal services, mainly in Spain and the United Kingdom).
- 2) €118.3 million for the stake in transport and public infrastructure concessions, mainly in Spain, Peru and the United Kingdom.
- 3) €72.8 million for stakes held in companies in the Water area, largely concessionary companies that manage services abroad (North Africa, Spain and Mexico).
- 4) €42.7 million from the subsidiaries of the parent company in the Cement area.
- 5) €40 million from investee companies in the Real Estate area.
- 6) €33.9 million in investees in the Construction area located abroad

The reduction of this heading is mainly due to the change in the consolidation method of the Tranvía de Murcia, that after taking its control has been consolidated globally in this year (note 4).

### 2.1.5.3. Non-current financial assets

Non-current financial assets increased by €306.6 million to €910.6 million; this increase can be attributed to the investment made in a non-controlling interest in a development company by the Real Estate area in June, meaning that at year-end, the breakdown of the value of the investment in equity of the most relevant investees was as follows:

€133.5 million in companies in the Real Estate area.

€20.9 million in Water and Environment companies.

€8.6 million in other holdings.

This heading also includes, but is not limited to, the increase in collection rights from concession agreements, located mainly in the Environment and Water areas combined with the inclusion of Murcia Tram concession activity in the consolidation perimeter.

#### 2.1.5.4. Cash and cash equivalents

The balance of Cash and cash equivalents came to €1,575.5 million, €40 million up year-on-year, mainly on account of the strong performance of working capital and despite the higher payments made in relation to investments.

This balance is distributed in such a way that:

- 1) In the perimeter with recourse, cash and equivalents totalled €790.8 million.
- 2) In the perimeter without recourse, cash and equivalents amounted to €784.7 million.

#### 2.1.5.5. Equity

Equity at year-end came to €4,939 million, up by €498.3 million on year-end 2021. This increase was mainly due to the contribution of €477.9 million in net attributable profit during the period.

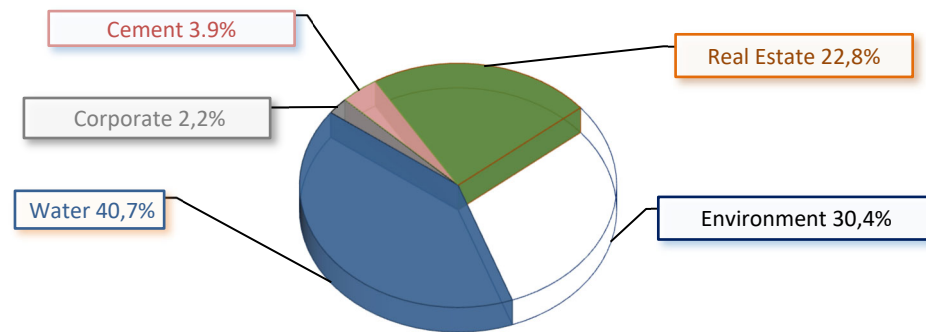
#### 2.1.5.6. Financial Debt

<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (€M)</b>
Bank borrowings	2,778.4	1,742.6	1,035.8
Debt instruments and other loans	2,040.8	3,031.5	(990.7)
Finance lease payables	24.9	37.3	(12.4)
Other financial liabilities	138.4	134.1	4.3
<b>Gross Financial Debt</b>	<b>4,982.5</b>	<b>4,945.5</b>	<b>37.0</b>
Cash and other current financial assets	(1,789.8)	(1,719.8)	(70.0)
<b>Net Financial Debt</b>	<b>3,192.7</b>	<b>3,225.7</b>	<b>(33.0)</b>
<i>Net financial debt with recourse</i>	<i>(677.2)</i>	<i>(326.0)</i>	<i>(351.2)</i>
<i>Net financial debt without recourse</i>	<i>3,869.9</i>	<i>3,551.7</i>	<i>318.2</i>

At year-end, the Group's gross financial debt remained almost the same as in December of the previous year, at €4,982.5 million. It is worth mentioning that 77.5% have a long-term maturity, for the sum of €3,860.7 million, divided between bank debt and capital market debt. The remainder of this indebtedness, 22.5%, matures in the short term, with the main balance of this corresponding to a bond from the Environment area maturing next December and the remainder to bilateral facilities and commercial paper issued on the Irish Stock Exchange by the Group's parent company and the Environment area's parent company.

In turn, the balance of net financial debt decreased by €33 million year-on-year, to €3,192.7 million. This has been achieved despite (i) the impact of the acquisition and incorporation into the balance sheet of the operating debt of GGU (owner and operator of the end-to-end water cycle in the Georgian capital) into the Water area in February, (ii) the investment made as part of the acquisition of a non-controlling financial interest by the Real Estate area and (iii) the acquisition of the remaining 50% in the Murcia Tram concession in Spain. The determining factor that allowed the financial debt balance to be contained during the year was the generation of the operating cash flow, supported by the performance of working capital, especially in the Construction area.

### Breakdown of Net Financial Debt by Business Area



As is standard as part of the Group's financial policy, almost all of the net financial debt is without recourse and is mostly located in the Water Utilities and Environment areas and in the recurrent activity of rental property in Real Estate. As a result, the Group's parent company had a net cash position with recourse of €677.2 million at the end of last December.

Net financial debt without recourse to the Group's parent company is structured as follows

- (i) The Water area accounts for an amount of €1,642.8 million, which mainly includes the financing of a corporate bond for its parent company with a balance of €658 million, maturing in 2027, and a long-term syndicated loan for €1,100 million taken out last June; (ii) the Environment area accounts for €1,227.6 million, of which the majority corresponds to bonds issued in 2019 by the parent company of the area, a further €116.3 million to activity in the United Kingdom and €34.2 million to activity in the USA. (iii) the Real Estate area accounts for €754.8 million in relation to rental property activity; (iv) the Cement area accounts for €157.6 million and (v) concessions activity accounts for €87.1 million

#### 2.1.5.7. Other current and non-current financial liabilities

Other current and non-current financial liabilities comes to €621.9 million at the end of the year. The balance mainly includes the item suppliers of fixed and non-current assets for operating leases, amounting to €400.5 million. It also includes other liabilities that are not financial liabilities, such as those associated with hedging derivatives, suppliers of fixed and non-current assets, guarantees and deposits received.



### 2.1.6. Cash Flow

<i>(Million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
<b>Gross Operating Profit (EBITDA)</b>	<b>1,311.4</b>	<b>1,126.6</b>	<b>16.4%</b>
(Increase)/decrease in working capital	285.3	(167.9)	N/A
Corporation tax (paid)/received	0.7	(135.6)	N/A
Other operating cash flow	(51.6)	(76.9)	-32.9%
<b>Operating cash flow</b>	<b>1,545.8</b>	<b>746.2</b>	<b>107.2%</b>
Investment payments	(1,062.1)	(557.9)	90.4%
Divestment receipts	51.5	568.6	-90.9%
Other investment cash flows	72.6	182.4	-60.2%
<b>Investment cash flow</b>	<b>(938.0)</b>	<b>193.1</b>	<b>N/A</b>
Interest paid	(123.7)	(99.1)	24.8%
(Payment)/receipt of financial liabilities	(333.9)	(269.3)	24.0%
Other financing cash flow	(109.6)	(259.3)	-57.7%
<b>Financing cash flow</b>	<b>(567.2)</b>	<b>(627.7)</b>	<b>-9.6%</b>
<b>Exchange differences, change in consolidation scope, etc.</b>	<b>(0.6)</b>	<b>1.8</b>	<b>N/A</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>40.0</b>	<b>313.4</b>	<b>-87.2%</b>

#### 2.1.6.1. Operating cash flow

The operating cash flow generated this year came to €1,545.8 million, €799.6 million up on the previous year, on account of the increase in operating resources generated, as well as the impressive performance of working capital. With this in mind, current operating capital generated funds of €285.3 million, concentrated in the Construction area, which compares favourably with the application of €167.9 million the previous year.

Collections/(payment) of corporation tax includes an inflow of €0.7 million compared to the outflow of €135.6 million in the previous year, attributable to the corporation tax generated on the sale of several transport concessions for the amount of €33 million while in 2022, tax refunds corresponding to 2020 and 2021 were obtained.

The heading other operating cash flow includes an outflow of €51.6 million compared to €76.9 million the previous business year, due to the reduced application of provisions mainly in the different areas.

### 2.1.6.2. Investment cash flow

The investment cash flow represents an application of €938 million, a significant change from the generation of €193.1 million the previous year.

Payment for Investments increased by €504.2 million, coming to a total of €1,062.1 million. By business areas, Environment contributed the highest payments, amounting to €428.1 million, with the year-on-year increase attributable to the higher investments in Spain and the US, both as part of renewed contracts and new awards and acquisitions. In the Water area, payments for investments rose to €370.6 million, with the acquisition of GGU, the company responsible for managing of the end-to-end water cycle in Georgia, serving as the main component, for the sum of €159 million, as well as other new investments in concessions in Colombia and hydraulic assets in Spain.

To this end, the investment of €138 million corresponding to the acquisition of a non-controlling in a property development firm in the Real Estate area last June is worth particular mention, as is the acquisition of the remaining 50% stake in the Murcia Tram for the sum of €48.5 million.

The breakdown of net investments by business area, excluding other cash flows from investment activities, in terms of payments and collections, is as follows:

<i>(Million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (€M)</b>
Environment	(407.5)	(291.8)	(115.7)
Water	(362.9)	(86.8)	(276.1)
Construction	(21.4)	0.5	(21.9)
Cement	(22.2)	(10.9)	(11.3)
Real Estate	(154.4)	(64.9)	(89.5)
Corporate serv., etc. & adjustments	(42.2)	464.6	(506.8)
<b>Net investments (Payments - Collections)</b>	<b>(1,010.6)</b>	<b>10.7</b>	<b>(1,021.3)</b>

In turn, Other investment flows includes an inflow of €72.6 million during the year compared to €182.4 million the previous year; this includes, but is not limited to, the collection of interest for the sum of €29.3 million and the receipt of cash and equivalents following the inclusion of acquired companies in the consolidation perimeter during the year with GGU in the Water area worth particular mention, for a total of €15.9 million

### 2.1.6.3. Financing cash flow

The consolidated financing cash flow generated represents an application of €567.2 million compared to €627.7 million in the previous year. The interest payment item shows an outflow of €123.7 million, mainly concentrated in the Water and Environment areas and to a lesser extent, the Real Estate area.

Proceeds from/(payments on) financial liabilities entails the application of the financing flow of €333.9 million during this period, concentrated in the refinancing process undertaken in the Water area during the second quarter of the year.

Furthermore, Other financing flows entails an outflow of €109.6 million, €149.7 million less than last year, which included investments in the Real Estate area. This mainly includes the payment of dividends to shareholders of the parent company and the series of minority shareholders of the consolidated group for a total amount of €73.2 million.

#### 2.1.6.4 Change in cash and cash equivalents

As a result of the development of the different components of the cash flow, FCC Group's cash position closed with an increase of €40 million, reaching a balance of €1,575.5 million.

#### 2.1.7. Analysis by business area

##### 2.1.7.1. Environment

The Environment area contributed 45.2% of the Group's EBITDA in the 2022 business year. Around 79.5% of its activity focused on the provision of essential waste collection, treatment and disposal services, as well as street cleaning. The remaining 20.5% corresponded to other types of urban environmental activities, such as the conservation of green areas and/or beaches.

In Spain, it provides services in more than 3,700 municipalities and serves a population of more than 32 million inhabitants. It is worth mentioning the important weight of the urban waste management and street cleaning services. In the UK, it focuses on urban waste treatment, recovery and disposal activities and serves more than 16 million people. In Central Europe, mainly Austria and the Czech Republic, FCC is present across the entire waste management chain (collection, treatment and disposal). FCC's activity in the US involves both in the collection and comprehensive recovery of municipal waste, serving more than 8 million residents.

##### 2.1.7.1.1. Earnings

<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
Turnover	3,641.1	3,244.9	12.2%
<i>Waste collection and street cleaning</i>	<i>1,765.0</i>	<i>1,550.0</i>	<i>13.9%</i>
<i>Waste processing</i>	<i>1,130.1</i>	<i>1,067.5</i>	<i>5.9%</i>
<i>Other services</i>	<i>746.0</i>	<i>627.4</i>	<i>18.9%</i>
EBITDA	593.1	535.1	10.8%
<i>EBITDA Margin</i>	<i>16.3%</i>	<i>16.5%</i>	<i>-0.2 p.p</i>
EBIT	304.7	285.4	6.8%
<i>EBIT margin</i>	<i>8.4%</i>	<i>8.8%</i>	<i>-0.4 p.p</i>

Revenues in the Environment area were up 12.2% year-on-year to reach €3,641.1 million. Waste collection and street cleaning activity billed €1,765 million, recording growth of 13.9% on account of the entry into operation of new contracts, especially in Spain and the USA, as well as for the strong performance seen in Central Europe. Waste treatment activity was up 5.9% to €1,130.1 million, due to the higher contribution of recovery plants in the UK and the increase in activity in Central Europe, alongside the activity of a new plant in the USA. Other services and similar grew by 18.9% to €746 million.

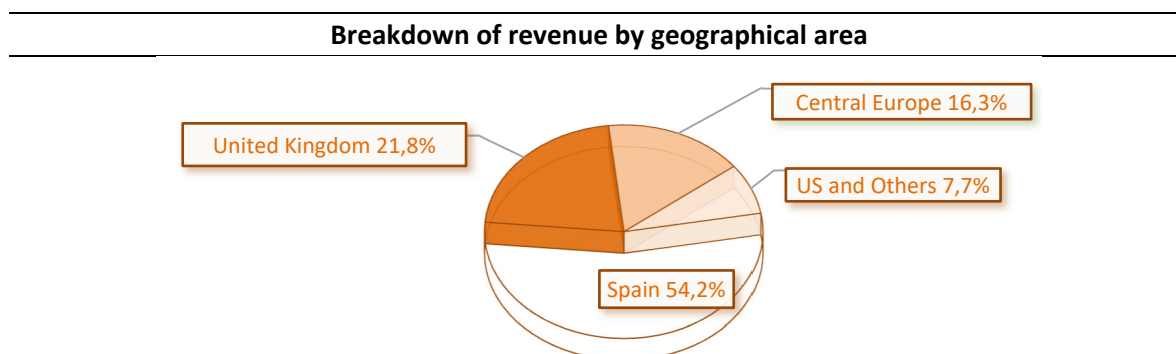
Breakdown of revenue by geographical area			
(Million euros)	Dec. 22	Dec. 21	Chg. (%)
Spain	1,975.2	1,837.2	7.5%
United Kingdom	794.9	708.3	12.2%
Central Europe	592.2	550.7	7.5%
United States and other	278.8	148.7	87.5%
<b>Total</b>	<b>3,641.1</b>	<b>3,244.9</b>	<b>12.2%</b>

By geographical area, revenues in Spain increased by 7.5% year-on-year to €1,975.2 million on account of the high volumes of contracts for street cleaning and collection activities combined with the increase in volume of operations performed in other types of services.

In the United Kingdom, revenue increased by 12.2% to €794.9 million, mainly on account of the higher contribution by recovery plants, supported by the increase in the price of energy.

In Central Europe, revenue increased by 7.5% to €592.2 million on account of the increase in contribution by all activities, in particular waste collection and the sale of by-products in the Czech Republic, as well as treatment in Austria.

Last but not least, revenue in the United States and other markets increased by an impressive 87.5% to €278.8 million on account of the entry into operation of new residential collection contracts as well as the increase in contribution by other existing contracts, combined with the contribution of the new contract for the renovation and operation of the municipal solid waste treatment plant in Placer County (California).



EBITDA increased by 10.8% to €593.1 million on account of the developments described above for revenue, combined with the increase in the price of energy that has resulted in the recovery activity contributing more in the United Kingdom and Austria and offset by the increase in energy costs linked the collection activities. With this in mind, the operating margin remained at similar levels to the previous year.

EBIT increased by 6.8% year-on-year to €304.7 million thanks to the performance of the different components mentioned in the EBITDA and an increase in the allocation of amortisations made.

### Breakdown of backlog by geographical area

<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
Spain	8,224.1	6,300.6	30.5%
International	5,031.4	4,445.8	13.2%
<b>Total</b>	<b>13,255.5</b>	<b>10,746.4</b>	<b>23.3%</b>

At year-end, the backlog increased by 23.3% compared to 2021 to €13,255.5 million. In Spain, it increased by 30.5%, where the urban sanitation and street cleaning contracts in Zaragoza and the urban collection and sanitation contract in Madrid are worth particular mention. Looking further afield, the backlog amounted to €5,031.4 million internationally, 13.2% up on December the previous year, mainly on account of new contracts in the USA like the integrated management and recycling contract in Placer County (California) or residential collection contract in Port Saint Lucie (Florida).

#### 2.1.7.1.2. Financial Debt

<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (€M)</b>
Net Financial Debt	1,227.6	1,289.7	(62.1)

Net financial debt fell by €62.1 million compared to December 2021 to €1,227.6 million. The main component of this heading are green loans, for a combined amount of €1,100 million. The remainder corresponds to commercial paper and the financing of a project involving waste treatment and recycling plants, mainly in the United Kingdom.

#### 2.1.7.2. Water

The Water area contributed 26.7% of FCC Group's EBITDA in the period. 91.6% of its activity is focused on public service concession management related to the end-to-end water cycle (collection, treatment, storage and distribution) and the operation of different types of water infrastructures; the remaining 8.4% corresponds to Technology and Networks, which is responsible for the design, engineering and equipment of hydraulic infrastructures, related in the large part to the development of new concessions and ancillary works for operations.

In Spain the area serves over 13 million inhabitants in more than 1,100 municipalities. In Central and Eastern Europe, it is mainly present in the Czech Republic and Georgia, serving close to 3 million users across the two countries; in the remainder of the EU, its presence in Italy, Portugal and France is worth particular mention. In Latin America, the Middle East, and Africa its activity centres on the design, equipping, and operation of processing plants. Overall, the Water area provides supply and/or sanitation services to more than 30 million inhabitants.

##### 2.1.7.2.1. Earnings

<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
Turnover	1,323.2	1,169.5	13.1%
<i>Concessions and services</i>	<i>1,212.2</i>	<i>1,053.3</i>	<i>15.1%</i>
<i>Technology and networks</i>	<i>111.0</i>	<i>116.2</i>	<i>-4.5%</i>
EBITDA	350.2	298.9	17.2%
<i>EBITDA Margin</i>	<i>26.5%</i>	<i>25.6%</i>	<i>0.9 p.p</i>
EBIT	203.8	181.3	12.4%
<i>EBIT margin</i>	<i>15.4%</i>	<i>15.5%</i>	<i>-0.1 p.p</i>

Revenue increased by 13.1% to €1,323.2 million on account of the increase in full-cycle property and concession activity, mainly thanks to the contribution to the perimeter of Georgia Global Utilities (GGU) in Georgia since last February and the increase in non-domestic consumption. At the other end of the scale, Technology and Networks activity contracted by 4.5% following the completion of a number of one-off international projects, in particular in the Middle East and Africa, which was offset by growth in Spain.

<b>Breakdown of revenue by geographical area</b>			
<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
Spain	861.4	814.2	5.8%
Central and Eastern Europe	190.0	113.6	67.3%
Middle East, Africa and Other	131.1	112.4	16.6%
Rest of Europe (France, Portugal and Italy)	92.3	80.8	14.2%
Latin America	48.4	48.5	-0.2%
<b>Total</b>	<b>1,323.2</b>	<b>1,169.5</b>	<b>13.1%</b>

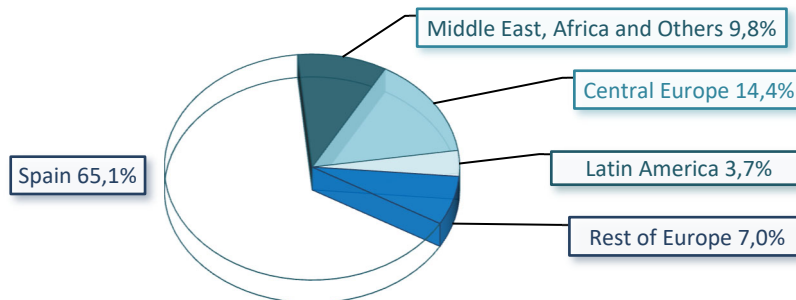
By geographical area, revenues in Spain increased by 5.8% to €861.4 million. This growth came both in concession activity, following the growth in m3 billed in the non-domestic market combined with a tariff increase, which offset the reduction in domestic consumption, and thanks to the strong performance of Technology and Networks activity, supported by the increase in activity performed through investment plans associated with concession contracts.

Looking abroad, Central and Eastern Europe registered the strongest growth, by an outstanding 67.3% to €190 million. The biggest contribution came in end-to-end cycle activity on account of the aforementioned acquisition of GGU. The Czech Republic also experienced growth following the tariff update and the favourable performance of the Czech koruna (4.4% in the reappraisal period). In the Rest of Europe, revenue increased by 14.2% to €92.3 million on account of a new concession contract secured in France and the increase in volume of infrastructure actions at the Aque di Caltanissetta concession in Sicily.

In the Middle East, Africa and Others, revenue increased by 16.6% to €131.1 million on account of the increase in concession activity due to new contracts in Qatar and Saudi Arabia, as well as the increase in contribution of the Abu Rawash wastewater treatment plant in Egypt. In contrast, Technology and Networks activity decreased on account of the decrease in contribution from contracts that have come to an end or that are coming to an end.

Finally, in Latin America, revenue remained practically the same as last year, at €48.4 million. Concession activity in Colombia increased and offset the reduction of activity seen in Technology and Networks, both in Mexico and in Colombia itself, in projects that are already at very advanced stages.

### Breakdown of revenue by geographical area



EBITDA increased by 17.2% to €350.2 million on account of the increase in operating profitability of GGU and, to a lesser extent, the decrease in the contribution by Technology and Networks activities. This largely offset the increase in the cost of electricity. With this in mind, the operating margin rose to 26.5% during the year.

Net operating profit (EBIT) was up by 12.4% compared to December last year, totalling €203.8 million on account of the performance of gross operating profit, as discussed previously. The increase in amortisation expense is worth particular note on account of the increase in volume of owned operating assets.

### Breakdown of backlog by geographical area

<i>(million euros)</i>	Dec. 22	Dec. 21	Chg. (%)
Spain	7,049.2	7,149.6	-1.4%
International	13,263.5	8,211.5	61.5%
<b>Total</b>	<b>20,312.7</b>	<b>15,361.1</b>	<b>32.2%</b>

The backlog at year-end came to €20,312.7 million, 32.2% up on December 2021. This increase is mainly attributable to the international area, which grew by a remarkable 61.5% to €13,263.5 million following the incorporation of GGU, as well as other smaller growth in Colombia and Saudi Arabia.

#### 2.1.7.2.2. Financial Debt

<i>(million euros)</i>	Dec. 22	Dec. 21	Chg. (€M)
Net Financial Debt	1,642.8	1,247.6	395.2

Net financial debt increased by €395.2 million at year-end to €1,642.8 million, on account in the increase in payments in relation to growth investments and the incorporation of the operating debt of acquired companies, in particular the amounts related to the incorporation of GGU.

#### 2.1.7.3. Construction

The Construction area contributed 9.4% of the FCC Group's EBITDA at the end of the business year. Its activity focuses on the design and construction of large civil, industrial and building works, with a selective presence in certain regions, currently around 15 countries. Special mention should go to participation in major works like railways, tunnels, motorways and football stadiums that constituted a major part of the activity.

<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
Turnover	1,966.9	1,659.6	18.5%
EBITDA	122.8	102.6	19.7%
<i>EBITDA Margin</i>	<i>6.2%</i>	<i>6.2%</i>	<i>0.1 p.p</i>
EBIT	89.4	71.1	25.7%
<i>EBIT margin</i>	<i>4.5%</i>	<i>4.3%</i>	<i>0.3 p.p</i>

Revenue in the area was up by 18.5% to €1,966.9 million, largely due to the strong pace of project performance in Latin America and several European countries, offsetting the lower activity levels in Spain.

<b>Breakdown of revenue by geographical area</b>			
<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
Spain	870.1	885.2	-1.7%
Rest of Europe and Others	501.7	419.2	19.7%
America	434.3	209.4	107.4%
Middle East and Africa	160.8	145.8	10.3%
<b>Total</b>	<b>1,966.9</b>	<b>1,659.6</b>	<b>18.5%</b>

By geographical area, revenue in Spain contracted by 1.7%, to €870.1 million, despite the strong progress made with the remodelling of the Santiago Bernabéu football stadium.

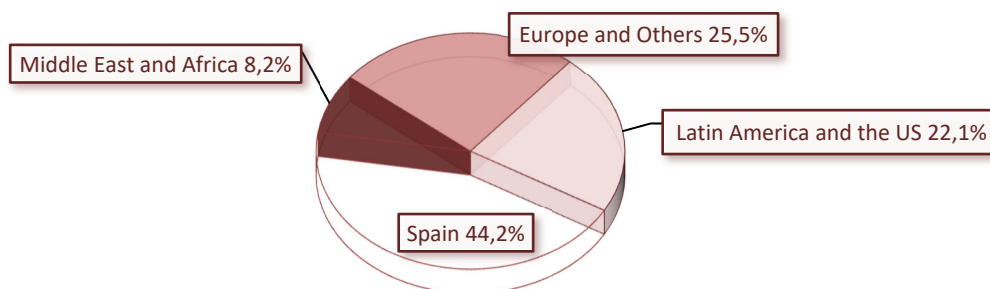
In contrast, in the Rest of Europe and other markets, revenue grew by 19.7% year-on-year, coming to €501.7 million, mainly on account of the development of the A-9 motorway in the Netherlands and A-465 in Wales (United Kingdom), which offset the decrease in the contribution of other works, such as the Haren prison in Belgium, which came to an end.

In America, revenue grew significantly to €434.3 million, 107.4% up on the previous year, largely on account of the higher contribution of the Mayan Train project in Mexico combined with the sustained progress with works including the Toyo Tunnel in Colombia, the Lima Metro in Peru and the start of the RER-3 in Toronto (Canada).

The Middle East and Africa contributed to the increase in area's revenue, up by 10.3%, to €160.8 million. Progress with the Riyadh Metro is worth particular note, with its completion having been extended until April 2024, following an additional contract awarded to FCC Construcción worth more than €200 million; also responsible for the increase in activity in the future is the recent significant award of a railway tunnel in the Neom region, in the northwest of the country.



**Breakdown of revenue by geographical area**



Gross operating profit increased by 19.7% to €122.8 million compared to €102.6 million the previous year. This increase can be attributed to the evolution of income mentioned previously combined with upward adjustments in the degree of progress of certain international projects. As a result, the operating margin for the period increased by 6.2% year-on-year.

In turn, net operating profit totalled €89.4 million, compared to €71.1 million for the previous year, thanks to the performance of gross operating earnings, as mentioned previously.

**Breakdown of backlog by geographical area**

<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
Spain	1,817.3	1,368.0	32.8%
International	4,768.7	2,613.3	82.5%
<b>Total</b>	<b>6,586.0</b>	<b>3,981.3</b>	<b>65.4%</b>

The revenue backlog increased significantly at the end of December to €6,586 million, a significant increase of 65.4%; it did so in a general manner, although more markedly at an international level, mainly on account of the new contracts signed, including for the Neom Tunnel in Saudi Arabia, the Sotra bridge in Norway, the new railway contracts in Romania and the initial phase of the RER-3 project in Canada, as well as the increase in scope of the Riyadh Metro in Saudi Arabia and the Maya Train in Mexico..

**Breakdown of the Backlog by Activity Segment**

<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
Civil engineering works	5,569.7	3,301.6	68.7%
Building	503.9	426.3	18.2%
Industrial Projects	512.4	253.4	102.2%
<b>Total</b>	<b>6,586.0</b>	<b>3,981.3</b>	<b>65.4%</b>

By activity type, civil engineering continues to dominate, accounting for 84.6% of the total, concentrated in large public contracts in certain key and selective markets in Europe, America and the Middle East.

#### 2.1.7.4. Cement

The Cement area contributed 2.3% of the FCC Group's EBITDA in the business year. This activity was undertaken by the CPV Group, which focuses on manufacturing cement and by-products, with seven main production centres in Spain and 1 in Tunisia, in addition to a minority stake of 45% in Giant Cement, which operates a number of factories on the east coast of the USA.

##### 2.1.7.4.1. Earnings

<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
Turnover	516.5	433.8	19.1%
<i>Cement</i>	476.6	393.2	21.2%
<i>Other</i>	39.9	40.6	-1.7%
EBITDA	30.3	76.1	-60.2%
<i>EBITDA Margin</i>	5.9%	17.5%	-11.7 p.p
EBIT	(203.3)	(90.3)	125.1%
<i>EBIT margin</i>	-39.4%	-20.8%	-18.5 p.p

Income in the area grew by 19.1%, coming to €516.5 million on account of the substantial increase in prices seen in the Spanish and Tunisian markets, although to a lesser extent; this helped to offset the decrease in volumes invoiced in both countries, combined with the strong performance of exports in both markets.

##### Breakdown of revenue by geographical area

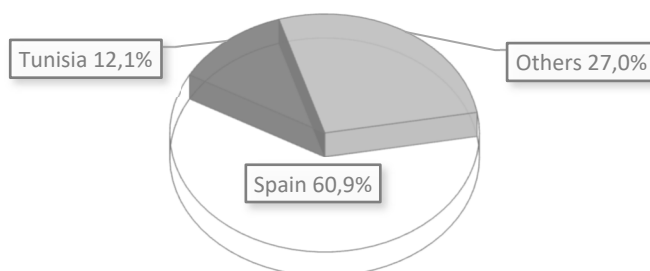
<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
Spain	314.6	262.9	19.7%
Tunisia	62.6	57.8	8.3%
Miscellaneous (exports)	139.3	113.1	23.2%
<b>Total</b>	<b>516.5</b>	<b>433.8</b>	<b>19.1%</b>

By geographical areas, in Spain, revenue increased by 19.7% to €314.6 million on account of the significant increase in prices, concentrated in the first half of the year; this offset the drop in volume invoiced.

In the local market in Tunisia, revenue grew by 8.3% to €62.6 million, due, as in the case of Spain, but more moderately so, to the increase in prices, helping to absorb the drop in demand.

Elsewhere, income from exports grew by 23.2% to €139.3 million on account of the strong performance of the prices of remittances sent to other European countries combined with an increase in shipments made from Tunisia.

**Breakdown of revenue by geographical area**



In turn, gross operating profit/(loss) decreased to €30.3 million compared to €76.1 million the previous year. This decrease, in Spain, was caused by the significant increase in the price of electricity and fuel, which tempered towards the end of the year. In Tunisia, this was also due to the increase in the cost of both supplies, although the impact was more evident in the second half of the year. Furthermore, in 2022, no CO2 rights were sold, compared to the €7.8 million sold the previous year.

Net operating profit/(loss) stood at -€203.3 million, mainly due to a €200 million adjustment to the value of various property, plant and equipment assets and goodwill, in order to reflect their estimated future cash generation capacity.

**2.1.7.4.2. Financial Debt**

(Million euros)	Dec. 22	Dec. 21	Chg. (€M)
Net financial debt	157.6	124.4	33.2

Net financial debt, in its entirety without recourse to the parent company of the Group, increased by €33.2 million compared to December the previous year, with a balance of €157.6 million at year-end as a result of the absorption of cash from operations and investments during the period, testament to a situation affected by very high energy costs.

**2.1.7.5. Real Estate**

The Real Estate area contributed 10.9% of the FCC Group's EBITDA during the year. Its activity is centred in Spain and is structured in two main activities, with the first being the holding, development, and operation of all types of real estate on a rental basis (mainly offices, premises, and shopping centres). This is in addition to the development for sale of properties, which includes the urban management of its land portfolio, providing development management services for third parties.

### 2.1.7.5.1. Earnings

<i>(million euros)</i>	<b>Dec. 22</b>	<b>Dec. 21</b>	<b>Chg. (%)</b>
Turnover	270.8	147.9	83.1%
<i>Equity</i>	106.7	17.2	N/A
<i>Development and land</i>	164.1	130.7	25.6%
EBITDA	142.6	40.0	N/A
<i>EBITDA Margin</i>	52.7%	27.0%	25.6 p.p
EBIT	165.7	298.3	-44.5%
<i>EBIT margin</i>	61.2%	201.7%	-140.5 p.p

The area's revenue came to €270.8 million at the end of the year, which represents significant growth year on year, due in large part to the aforementioned inclusion in the global consolidation perimeter of the Realia Group and Jezzine at the end of 2021, as well as the organic growth of rental income and increase in property development activity.

In Equity, revenue amounted to €106.7 million, compared to its low contribution the previous year, having included the contribution of Jezzine and the rental activity of the Realia Group during the year. Its income came mainly from the rental of Jezzine's branches for banking use and the income generated in the operation of Realia's offices and department stores. The average occupancy level was 94.3%, very similar to the previous year, with a leasable surface area that was equally very stable, coming in at over 550,000 m<sup>2</sup>.

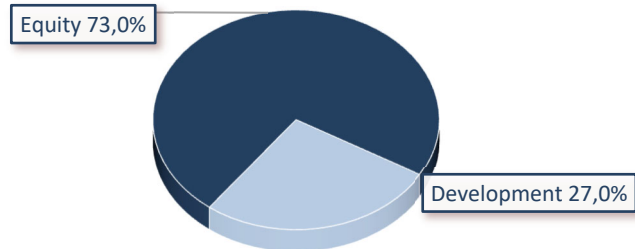
Residential Development and Land activity grew by 25.6%, to €164.1 million, on account of the increase attributable to the aforementioned consolidation of the Realia Group combined with an increase in the delivery rate of sold developments. In turn, land sales generated €35.9 million, up by 6.9% year-on-year. At year-end, the value of homes sold pending delivery came to €119.6 million, with growth of 11.7% compared to those pending delivery in December the previous year.

Similarly, EBITDA performed better this year, with a figure of €142.6 million, mainly on account of the contribution of the new Equity activity, with a much higher operating margin than property development. Thus, the operating margin stood at 52.7% for the period.

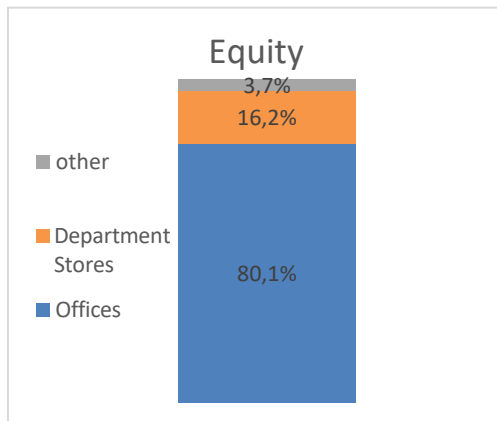
In turn, EBIT dropped to €165.7 million compared to €298.3 million in 2021, including the impact on accounts of €241.7 million following the increase in the registered value of Realia's rental assets to their fair market value at the time of their inclusion in global consolidation. This heading also includes the variation in the estimated fair value of rental property assets for the sum of €22.3 million during the year compared to €16.6 million in 2021.

Below, details are provided of the market valuation of the real estate assets in this area, which came to €2,978.5 million at 31 December 2022 (2.1% up year-on-year). The majority of this corresponds to rental assets, which account for 73% of the total, on €2,171.7 million, while Residential Development assets, which include land in the different stages of development as well as developments for sale, both in progress and finished, account for 27% of the total, on €806.8 million.

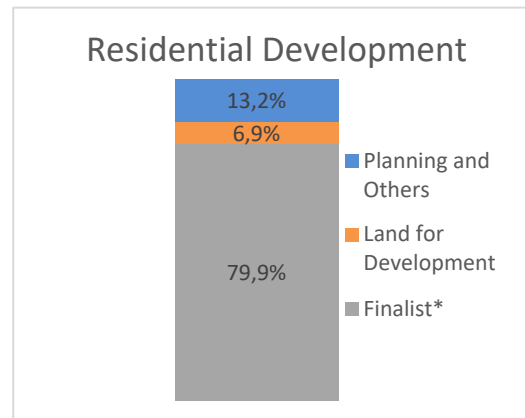
**GAV per Activity**



**Equity**



**Residential Development**



*\*Includes products in progress and finished products*

**2.1.7.5.2. Financial Debt**

(Million euros)	Dec. 22	Dec. 21	Chg. (€M)
Net financial debt	917.7	889.7	28.0

The balance of net financial debt at year-end stood at €917.7 million, up by €28 million compared to December the previous year. This amount includes the aforementioned purchase of a non-controlling interest in Metrovacesa. Most of the debt in the area can be attributed to equity subsidiaries, without recourse to the parent company of the FCC Group, accounting for a combined amount of €754.8 million at year-end, with the remainder corresponding to various interests acquired in subsidiaries and investees.

## 2.2. Business performance. Environment

The information relating to the FCC Group's environmental policy is set out in greater detail in note 29 to the consolidated financial statements and in the Non-Financial Information Statement.

The FCC Group carries out its activities on the basis of business commitment and responsibility, compliance with applicable legal requirements, respect for the relationship with its stakeholders and its ambition to generate wealth and social well-being.

Aware of the importance for the Group of preserving the environment and the responsible use of available resources, and in line with the vocation of service through activities with a clear environmental focus, the Group promotes and encourages the following principles throughout the organisation, on which the contribution to sustainable development is based:

- Continuous improvement: Promote environmental excellence by establishing objectives for the continuous improvement of performance, minimising the negative impacts of the Group's processes, products and services, and enhancing the positive impacts on its areas of activity.
- Monitoring and control: establish environmental indicator management systems for the operational control of processes, which provide the necessary knowledge for monitoring, assessment, decision-making and communication of the Group's environmental performance and compliance with the commitments undertaken.
- Climate change and pollution prevention: Lead the fight against climate change through the implementation of processes with lower greenhouse gas emissions, and by promoting energy efficiency and renewable energies. Prevent pollution and protect the environment through responsible management and consumption of natural resources, and also by minimising the impact of emissions, discharges and waste generated and managed by the Group's activities.
- Observation of the environment and innovation: Identify the risks and opportunities of the activities in the face of the changing natural environment in order, among other things, to drive innovation and the application of new technologies, and also to generate synergies between the Group's various activities.
- Life cycle of products and services: enhancing environmental considerations in business planning, procurement of materials and equipment, and relations with suppliers and contractors.
- The necessary participation of all parties: promote the knowledge and application of environmental principles among employees and other stakeholders. Share experience in the most excellent practices with the different agents in order to promote alternative solutions to those currently in place, which contribute to the achievement of a sustainable environment.

## 2.3. Business performance. Personnel

Attached is a breakdown of the Group's headcount at the end of the year, by business area:

AREAS	2022			%/ <b>Total</b>
	SPAIN	ABROAD	TOTAL	
Environment	35.663	8.184	43.847	68%
Water Management	6.771	5.902	12.673	20%
Construction	3.872	2.787	6.659	10%
Cement	835	230	1.065	2%
Real Estate	101	0	101	0%
Central Services and Others	384	70	454	1%
<b>TOTAL</b>	<b>47.626</b>	<b>17.173</b>	<b>64.799</b>	<b>100%</b>

### 3. LIQUIDITY AND CAPITAL RESOURCES

#### Liquidity

In order to optimise its financial position, the Group maintains a proactive liquidity management policy with daily cash monitoring and forecasts.

The Group covers its liquidity needs through the cash flows generated by the businesses and through the financial agreements reached.

In order to improve the Group's liquidity position, active collection management is carried out with customers to ensure that they meet their payment commitments.

To ensure liquidity and meet all payment commitments arising from the business, the Group has cash flows as shown in the balance sheet (see note 16 to the consolidated financial statements) and detailed financing (see note 19 to the consolidated financial statements).

Note 29 to the consolidated financial statements sets forth the policy implemented by the Group to manage liquidity risk and the factors mitigating said risk.

#### Capital resources

The Group manages its capital to ensure that its member companies will be able to continue as profitable and solvent businesses.

As part of its capital management operations, the Group obtains financing through a wide range of financial products.

During the 2019 business year, two simple bonds were issued by FCC Servicios Medioambiente Holding, S.A.U. for an amount of 1,100 million euros; FCC Aqualia, S.A. had previously done the same in 2017.

In November 2018, FCC, S.A. registered a 300 million euros promissory notes programme, which was subsequently expanded to 600 million euros in March 2019. Since then, new funding facilities were also arranged in the form of credit facilities and bilateral loans. In 2020, FCC Servicios Medioambiente Holding, S.A.U. registered a promissory note programme which it renewed annually for an amount of up to €400 million; it also has financing facilities in the form of credit facilities.

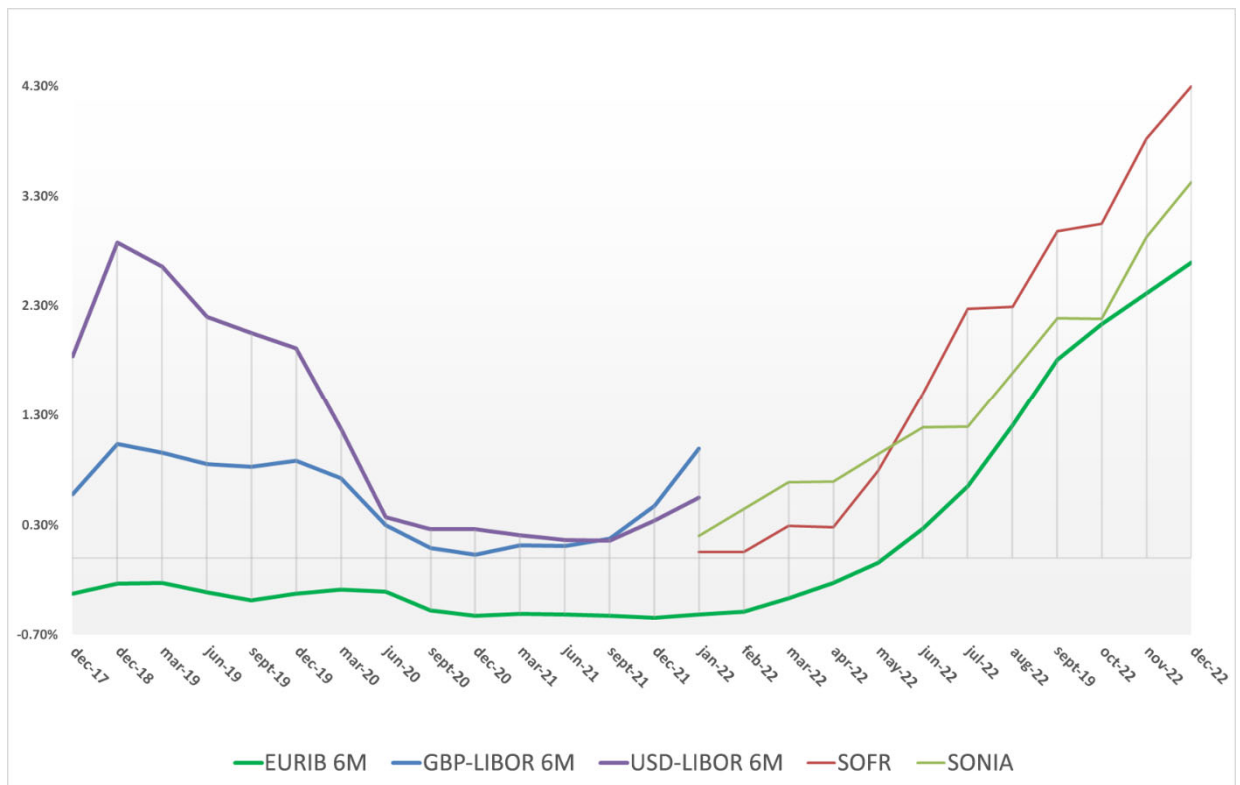
In addition, in 2021 Cementos Portland Valderrivas S.A. voluntarily repaid in advance all of its syndicated financing for a total of €115.5 million and arranged new bilateral financing facilities (Note 19 to the consolidated financial statements).

Furthermore, in June 2022 FCC Aqualia, S.A. took out a syndicated loan for the amount of €1.1 billion, the main purpose of which was to refinance part of the bonds issued in 2017 maturing in 2022 and the early repayment of the bond that the Georgia Global Utilities Group had on the takeover date (Note 4 to the consolidated financial statements).

These operations have made it possible to complete the process of debt reduction and financial reorganisation initiated five years ago and to continue with the policy of diversifying financing sources; all this contributing to achieving a much more stable and efficient capital structure, with amounts, terms and financing costs suitable according to the nature of the different business areas.

In order to optimise the cost of capital resources, the Group maintains an active policy of interest rate risk management, constantly monitoring the market and taking different positions depending mainly on the assets financed.

The performance of interest rates in recent years is shown below.



As can be seen from the graph above, in 2022, the Secured Overnight Financing Rate (SOFR) and the Sterling Overnight Index Average (SONIA) replaced the LIBOR in dollars and LIBOR in pounds sterling, respectively.

This section is discussed in greater detail in note 29 to the consolidated financial statements.



## 4. MAJOR RISKS AND UNCERTAINTIES

### 4.1. Risk Management Policy and System

The FCC Group's Risk Management Model is designed with the aim of identifying, analysing and assessing the potential risks that could affect the different areas of the Group, as well as establishing mechanisms integrated into the organisation's processes that allow risks to be managed within accepted levels, providing the Board of Directors and senior management with reasonable security in relation to the achievement of the main objectives defined. This Model applies to all FCC Group companies, as well as to those affiliates where FCC has effective control, promoting the development of work frameworks that enable suitable risk control and management in those companies where effective control is not available.

This model is essentially based on the integration of a risk-opportunity vision and the assignment of responsibilities that, together with the segregation of duties, enable the follow-up and control of risks, consolidating a suitable control environment.

The activities included in the FCC Group's Risk Management Model include the identification and classification of risks depending on their type, their assessment, in terms of impact and probability of occurrence, the application of prevention and control activities to mitigate the effect of these risks and the establishment of reporting flows and communication mechanisms at different levels, which enable decision-making as well as their review and continuous improvement.

The risk management duties and responsibilities at the different levels of the organisation are detailed in section E on the Risk Management and Control System of the Annual Corporate Governance Report.

### 4.2. Major risks and uncertainties

The FCC Group is exposed to various risk factors inherent to both the nature of its activities and the risks related to environmental, economic, social and geopolitical upgrades in the different countries in which it carries out these activities and to the risks arising from its relations with third parties, including the risks arising from the non-exhaustive application of the principles of ethics and compliance set out in its regulations. Many of these risk factors are strongly interconnected and could potentially affect both the achievement of business objectives and the image and reputation of the FCC Group.

Details of the main strategic, environmental, operational and compliance risks that could affect the Group's activities, as well as a description of the systems used to manage and monitor them, can be found in section E of the Annual Corporate Governance Report, as well as in section 7.4 of the Non-Financial Information Statement.

With regard to financial risks, which are considered to be the changes in the financial instruments arranged by the FCC Group due to political, market and other factors, and their repercussions on the financial statements, the risk management philosophy is consistent with the business strategy, seeking maximum efficiency and solvency at all times. To this end, strict financial risk control and management criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred by the Group's operations, with the risk policy being correctly integrated into the Group's organisation. The financial risks to which the Group is exposed are discussed in greater detail in note 29 to the consolidated financial statements, in section E of the Annual Corporate Governance Report and in section 7.4 of the Non-Financial Information Statement.

In addition, the FCC Group is also subject to certain risks relating to environmental and social issues, the management of which is described in greater detail in sections 5.2 and 7 of the Non-Financial Information Statement.

## 5. 5. ACQUISITION AND DISPOSAL OF OWN SHARES

On 15 June 2022, the company reported that the Board of Directors, at its meeting held on 14 June 2022, approved a temporary stock buy-back programme, valid for one year. This programme is aimed at reducing FCC's share capital through the redemption of its own stock and it has the following characteristics: the maximum number of shares to be acquired under the Programme is 2 million and the maximum investment of the Programme was €25 million. At 31 December 2022, the number of shares acquired under this programme came to 1,016,141.

As a result, the treasury stock position at 31 December 2022 amounted to 2,741,524 shares, equivalent to 0.625% of the capital stock.

Furthermore, pursuant to the resolution of the General Shareholders' Meeting held on 14 June 2022, the redemption of 1.7 million treasury shares was performed on 20 July, thus bringing the total number of capital stock, at the reporting date, to 438,344,983 shares.

The acquisition and disposal of treasury shares carried out during the year are disclosed in Note 17 of the Notes to the consolidated financial statements.

## 6. 6. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR

There have been no significant events between the end of the year and the date of preparation of these financial statements.

## 7. 7. OUTLOOK

The outlook for the performance of the Group's main business areas in 2023 is given below.

**In the countries where the Environmental Services Area** operates, the sector is undergoing a process of transformation, mainly due to the environmental requirements of each country derived from the European Directives (new opportunities based on the ambitious objectives set by the European Union in relation to the circular economy and climate change). The new services will focus on energy efficiency, urban mobility and smart cities.

Moderate growth is expected in Spain based on the start-up of new contracts already awarded. In 2023, the new state tax on waste comes into force, which will entail an increase in the activities performed by treatment plants. The contract renewal rate, which currently stands at over 90%, is expected to be maintained.

No significant changes are expected in the structure of the domestic market, the aim being focused on gradually replacing the linear production model with circular models.

## Europe

In Portugal, highlights included business opportunities related to soil decontamination activities and, to a lesser extent, new urban sanitation contracts. Consideration shall be given to any growth opportunities (including inorganic growth), especially if they can add value to the Group.

In the United Kingdom, in the environment area, despite leaving the EU, the country not only shares the EU's circular economy objectives and recycling targets, but aims to be more ambitious in terms of household waste recycling rates and the portion of waste to landfill, as well as being more aggressive in the timing of implementation. Since the launch of the Resource and Waste Strategy in 2018, the new "Environmental Law" was passed in 2021, which covers key aspects in environmental policy such as Extended Producer Responsibility ("EPR"), which will see producers cover 100% of the cost of the disposal of these products, starting with plastic packaging, the "Deposit Return Scheme" ("DRS"): payment for reusable packaging (single-use beverage containers), new fees for single-use plastics and the principle of consistency in collection systems. Taking the nature of the sector into consideration, strongly conditioned by environmental legislation, FCC will continue to pay close attention to legislative developments and its performance in these aspects, which will affect the future strategy in the field of waste recycling and the treatment thereof. Our division in the United Kingdom also continues to pursue its energy production strategy through waste treatment and disposal.

In Central Europe, greater emphasis will be placed on increasing energy efficiency as part of treatment processes, cost reduction and rate adjustments with customers. As a protection measure against rising energy prices, the EU has also set a ceiling on the sale price of electricity and gas, which will limit the margins generated at the Zistersdorf incinerator (Austria). The reduction in recycling prices (in particular paper and metals) seen towards the end of 2022 is expected to continue into 2023 until they return to the levels seen before the pandemic. Furthermore, an increase in rates is expected in practically all commercial activities on account of contractual flexibility (short duration for industrial clients) or the price clauses included in municipal contracts.

## USA

When it comes to the USA, FCC has also begun to promote mechanical biological treatment plants in the United States, in line with new regulations that are beginning to make it mandatory in some statuses to minimise waste sent for landfill disposal. The group's significant experience at a European level will bring considerable development in this business for FCC, which has a clearly differentiating experience in this technology compared to its usual competitors in the country. During 2022, the first contract of this type was launched in Placer County (California), renovating and operating facilities where 650,000 tonnes will be treated per year, pursuant to the new and more restrictive environmental regulations in force in California.

In December 2022, the Group's second acquisition in the US market was completed with the purchase of Houston Waste Solutions in Houston (Texas). HWS is one of the main commercial waste collection operators in the Houston metropolitan area, further enhancing the Group's significant growth in the commercial collection market, which already accounted for 20% of US revenue in 2022, in addition to providing significant synergies to the Group's recycling plant in the Texan city. Sales are expected to continue to experience significant growth in 2023.

## Water

The outlook for 2023 is for the level of activity seen in 2022 to remain, having overcome the drop in consumption caused by the COVID pandemic. This situation will be reinforced by the new contracts incorporated into the perimeter during 2022, as well as the improvement in results, reinforced by the continuation of cost optimisation actions. We expect electricity tariffs to return to normal, meaning it is likely that they will be reduced.

In **Spain**, we were awarded new contracts in 2022, as well as renewals and extensions of contracts already in place across a total of 354 towns and cities, with a contracted backlog of more than €873 million. The contract renewal loyalty rate remains at very high levels (above 90%) in the municipalities in which it operates. In addition, Aqualia has worked hard to expand its presence in the O&M and facilities market (WWTP, DWTP, desalination and network management).

By 2023, **concessions** in Spain in the area of end-to-end water cycle service concessions are expected to maintain renewal rates similar to 2022, i.e. above 90%. In terms of new procurement, several contracts, currently operated by competitors, are expected to be tendered out. In addition, major water treatment works are expected to be tendered in Madrid. We also believe that a significant part of the managed municipalities will adjust their tariffs to reflect the increase in the CPI in 2022. Furthermore, during the first half of the year, subsidies for the 1st phase of the Strategic Projects for the Economic Recovery and Transformation for the digitisation of water for the urban and in the 2nd semester will be awarded, with the 2nd phase sent out to tender; we hope one of our bids will be successful.

Looking to Europe, in **Portugal**, the problems caused by the prolonged droughts have sparked an interest amongst the public powers to consider the feasibility of building desalination plants for the first time in mainland Portugal. Aqualia is striving to maintain active communication so that part of these investments can be channelled as part of the robust Portuguese concession framework. Furthermore, a consortium led by Aqualia and FCC Construcción was proposed as the successful candidate for the installation of a green hydrogen production plant, including water supply and treatment facilities, in Setúbal, the first project of its kind in the country.

In **Italy**, work is expected to continue on the Caltanissetta concession (Sicily), with the improvement and modernisation of the remote control and reading services of the facilities for more than 90,000 customers, as well as continuing with the conditioning of the general supply network.

In **France**, activity will be stepped up in the search for and selection of new business opportunities in towns and cities within the current perimeter of concession activity (Île-de-France, Bretagne) and further afield (Normandie, Alsace, Lorraine, Val de la Loire).

In **Georgia**, the results generated in 2022 are expected to be reproduced and the groundwork will be laid for the definition of a **Master Infrastructure Plan**, with a special emphasis being placed on the volume of investments to be made during the new regulatory period running from 2024 to 2026.

In **Saudi Arabia**, the management projects for the two clusters awarded to Aqualia from the six tendered by the National Water Company in 2022 will begin. In addition, the operation of the Jizan desalination plant will be consolidated and the operating agreement for three mobile desalination plants will begin along the Saudi coast.

In **Egypt**, following the completion of the start-up phase, the operation and maintenance phase of the Abu Rawash wastewater treatment plant, the largest in Africa, will continue. This phase is due to last three years.

In Latin America, the 20-year operating period of the Guaymas SWDP began in mid-2022 (**Sonora, Mexico**). During 2023, the contract for the Comprehensive Improvement of Management Procedures (MIG) in Los Cabos (Baja California Sur) will begin and the operation of the El Realito aqueduct will continue. Furthermore, work will end at the Salitre WWTP (**Colombia**). In both countries, new concessions for desalination hydraulic infrastructure will be tendered in the states of Baja California and Sonora in Mexico and for purification within the Bogotá river decontamination programme in Colombia. New opportunities in end-to-end water cycle management will also be explored in Colombia.

In **Peru**, the preparation of private initiatives declared relevant in favour of Aqualia will continue, with 5 BOT purification contracts expected to be sent out to tender. From these five private initiatives, three entered the structuring phase in 2022; the pre-investment studies has been completed for one, deemed feasible; while the other is in the formulation phase.

Finally, in the **USA**, the search for and achievement of a first project is a priority objective. This is intended to create a launchpad for Aqualia's business in the country.

### Construction

FCC continues to focus on the international market in countries and markets with a stable presence, and on the execution of projects with secured financing.

The search for contracts in the domestic and international markets is one of the Group's objectives, although this is done through demanding risk management that must provide access to a selective backlog of projects that ensure the company's profitability and cash flow generation.

Taking the foregoing into consideration as well as the 65% growth in the order backlog in 2022, thanks to new long-term civil works contracts entered into, it is estimated that, in 2023, the turnover generated in Spain will improve on the figure recorded in 2022. In the foreign market, turnover in 2023 is estimated to improve on the figure recorded in 2022, on account of the development of large infrastructure works secured between 2020 and 2022 as well as the contribution of the markets in America (United States, Canada, Mexico, Chile, Peru, Colombia), the Middle East (Saudi Arabia) and Europe (Norway, the Netherlands, the United Kingdom and Romania).

### Cement

In Spain, and based on the estimates of the Association of National Construction Companies and Infrastructure Concession Holders (SEOPAN), official tenders organised in 2022 exceeded those organised in 2021 by 27.9%. However, this increase in investment in nominal terms has been absorbed by the increase in construction costs. In turn, new construction permits dropped by 4% and are expected to fall by 6% in 2023. Looking to 2023, according to the draft general state budget, there is expected to be an increase in investment of 14% in public works, which, again, is likely to be largely offset by increased construction costs. Investment by local authorities and regional governments compared 2022 is expected to contract due to a possible slowdown after the election period. As a result, public investment will fall by 5% compared to 2022. According to data taken from the sector's employers' association, OFICEMEN, these effects are reflected in cement consumption, which stood at 14.9 Mt in 2022, down by 0.8% compared to 2021. For 2023, it is estimated that this figure will stand at 14.3 Mt.

In Tunisia, the domestic market stood at 5.5 million tonnes in 2021, down by 7.4% on 2021. For 2023, a volume similar to 2022 is expected to be seen. Tunisia is currently facing a challenging economic situation. Political instability is containing consumption to a minimum. In 2022, the national sales of the Cementos Portland Valderrivas Group came to 876 thousand tonnes, down by 7% on 2021, which partly offsets exports, which stood at 502 thousand tonnes, up by 31% on 2021, although exports over land to Libya fell by 50%, while maritime exports to the USA and Italy increased by 252 thousand tonnes.

In this context, Cementos Portland Valderrivas will continue to develop its cost containment and investment optimisation policies and to adapt all its organisational structures to the reality of the various markets in which it operates, with the aim of improving the generation of resources.

## **Real Estate**

FCC Inmobiliaria's actions for 2023 are focused on the development of its three business lines exclusively in Spain:

### Office and shopping centre rentals

In the property area and in relation to service-sector assets (mainly offices and shopping centres), the backlog of which is prominent, management must be optimised to satisfy the new requirements of tenants.

In 2023, this will focus on supporting property subsidiaries to adapt their buildings and their businesses to the new trends in relation to the efficiency and sustainability of the office and shopping centre market and to adapt the commercial relationship with tenants, adapting the contracts to market requirements, such as the flexibility of spaces, duration, etc.

### Real Estate Development

Over the course of 2023, development activity will remain at similar levels to 2022, with the completion of projects in progress, as well as the start of new projects, with special attention to their profitability, and also to the viability of their commercialisation, bearing in mind the evolution of demand and the macro scenario of the Spanish economy, which are vital for development activities.

The land portfolio will continue to be actively managed, allowing it to be consolidated as urban land, with the resulting increase in value and contribution to the maintenance of development activity. It will also be possible to acquire new assets and/or land with a value path, either for their management and/or by the market.

### Rental housing

Throughout 2023, the marketing and operation of two new Build to Rent (BTR) projects will begin, with 195 subsidised housing units (VPPL-VPPB) for rent in Tres Cantos (Madrid); the investment in these projects stands at approximately €43 million, of which €9.9 million euros remains outstanding. It will be possible to acquire or develop new land for the purposes of residential rentals, provided that the uncertainties generated by the future State Law on the Right to Housing are cleared up. The operation of the BTR in relation to the 85-home residential building in Tres Cantos (Madrid) will continue. At 31 December 2022 100% of the homes in this building were rented.

## 8. 8 R&D+I ACTIVITIES

The FCC Group's R&D&I activities in 2022 have resulted in more than 35 projects.

These projects seek to respond to the challenges of each business area while maintaining overall coordination between the different business areas of the FCC Group.

The activities of the different Business Areas and the main projects developed throughout 2022 are detailed below.

### SERVICES

In the environmental services activity, we have continued with the development of projects started in previous years, such as:

<b>VISION</b>	<b>BICISENDAS</b>	<b>INSECTUM</b>	<b>B-FERTS</b>
<b>DEEP PURPLE</b>	<b>SCALIBUR</b>	<b>PLASMIX</b>	<b>LIFE 4 FILM</b>
<b>VALOMASK</b>	<b>RECYGAS</b>	<b>LANDFILL BIOFUEL</b>	<b>SEALING OF MINING DEPOSITS</b>

In addition, new ones have been launched during 2022, which are summarised below:

- **RSUHOM:** Consists of the development of new construction products by recovering slag from the incineration of municipal solid waste. The main aim of the project is to reduce the environmental impact generated by the disposal of slag in landfills from the incineration of MSW to a minimum, through its recovery and integration as: aggregates for the production of concrete, mortar and precast concrete.
- **ECO2D4.0:** Seeks to develop comprehensive, final solutions by using priority waste from the Basque Country and an ecosystem for the operational and environmental monitoring of road infrastructures. The ultimate aim of the project is to research and develop digitised ECO-highways products, analysing the technical and market feasibility of reusing the main waste streams.
- **MINETHIC:** Consists of promoting the recovery and reuse of strategic mineral resources for the ecological transition. The general aim is to investigate new sources of unconventional industrial and urban mining raw materials for the Ecological Transition, covering the entire value chain: pre-treatments to concentrate materials of interest and eliminate interference, separation, recovery and purification treatments and the validation of the recovered materials in final applications (permanent magnets, cathodes, catalysts, etc.). New technologies are due to be investigated that facilitate the recovery reuse of MPC from mineral resources, by-products and waste streams, as well as the integration of digital technologies, promoting a sustainable, efficient and local supply of MPC.
- **ECLOSION:** Consists of the development of new materials, technologies and processes for the generation, storage, transport and integration of renewable hydrogen and biomethane from waste.

In the field of specialised machinery for waste collection activities there is a new project:

- **8 m3 IRRIGATION AND WASHING TANK ON 2-m WIDE PURE ELECTRIC CHASSIS:** consists of the development of a new tank made from aluminium, for the irrigation and washing of streets using jet washers and front-mounted cones, upper pole and double rear reel measuring 2 metres in width (one of a kind on the market), on a pure electric chassis with state-of-the-art European-made ion battery lithium, also measuring two metres in width and MAM of 18 tonnes ("registerable" for 19 tonnes).



There is another new project in Industrial Waste activity:

- **PV4INK:** Consists of recovering materials obtained from the treatment of photovoltaic panels by developing nanoparticle-based conductive inks. The aim is to study and develop technologies that allow the different value elements present in PV modules to be harnessed. In this case, the proposal will be structured around the recovery of the Ag contained in the PV modules to obtain solutions with a high content of this metal, as a potential secondary raw material for use in the electronics sector (conductive inks).

## END-TO-END WATER MANAGEMENT

Innovation activity at Aqualia is aligned with the European Green Deal policies, which promotes the transition to a circular economy with a zero carbon footprint. The Department of Innovation and Technology (DIT) develops new services and sustainable processes using smart and eco-efficient management tools. Thus, the DIT projects help the company to achieve the UN's Sustainable Development Goals (SDGs), focussing on an affordable and high-quality water and sanitation service (SDG 6), an optimised energy balance (SDG 7) without affecting the climate (SDG 13) as well as responsible production and consumption (SDG 12).

The projects highlighted in 2022 are listed below:

- **H2020 SCALIBUR:** The project, led by the Itene technology centre, involved 21 partners from 10 countries to implement waste reduction and recovery on a European scale. With the participation of FCC Medio Ambiente, the project focussed on improvements to waste processing plants in Madrid, Lund (Sweden) and Rome (Italy) to promote the circular economy.

As part of this framework, Aqualia has implemented new sludge treatments at the Estiviel WWTP (Toledo), testing improvements in thickening and dual digestion across two stages that facilitate sanitation. Simplified sludge stabilisation technologies have also been developed, without concrete structures for small treatment plants. The project has facilitated initial innovation activities at SmVaK in the Czech Republic, with prototypes at WWTP Karviná to convert organic matter into by-products such as fertilisers and bioenergy.

- **RIS3 RECARBÓN:** Financed by the Asturian agency IDEPA with FEDER funds from the RIS3 programme and led by the engineering company INGEMAS in Gijón with two local SMEs (Biesca and InCo), as part of this project, Aqualia has validated pollutant adsorption methods with regenerated activated carbon and bio-char, developed by INCAR (Institute of Carbon Science and Technology) of the CSIC and the CTIC (Information and Communication Technology Centre). These sustainable and affordable adsorbents have been tested for biogas cleaning in the WWTPs of Chiclana, Lleida and Jerez, and also in the deodorisation of the Luarca and San Claudio WWTPs in Oviedo.

The bio-char has been tested in innovative micro-pollutant adsorption units with the results having been verified applying new advanced analysis methods developed by Aqualia's accredited laboratory in Oviedo. Furthermore, new sensors for real-time monitoring have been validated at the El Grado WWTP and the Cabornio DWTP in Oviedo.

- **JPI WATER – MARADENTRO:** The project "Managed Aquifer Recharge: ADRessiNg The Risks Of regenerated water" was led by the Institute of Environmental Assessment and Water Research in the European Horizon 2020 ERA-NETs Cofund WaterWorks 2018 programme, involving partners in France, Italy and Sweden to optimise soil as a tertiary risk management unit.



A 400 m<sup>2</sup> infiltration system has been constructed at the Medina del Campo WWTP for advanced risk management of treated water, facilitating its reuse in aquifer recharge, compared to conventional tertiary treatment. Scientific institutes have developed system design and simulation tools to optimise the operation and reduce the costs of emerging pollutant removal.

- **UE MSCA - REWATERGY:** In addition to technological development, this latest project focusses on scientific training as part of the H2020 Marie Skłodowska Curie programme organised by European academic networks. In the network led by Rey Juan Carlos University, Aqualia participated as an industrial partner hosting two PhD researchers undertaking their practical work at the company's purification plants:
  - methods for the adsorption of ammonium from wastewater and its conversion into hydrogen were developed at the Lérida WWTP, in cooperation with the University of Cambridge,
  - photo-disinfection and electro-disinfection processes were assessed at the Jerez WWTP to eliminate micro-pollutants from drinking water or wastewater, with support from the University of Ulster
- **LIFE ULISES:** Three technology centres, CENTA, EnergyLab and CieSol of the University of Almeria, support Aqualia as coordinator to transform conventional WWTPs into "bio-fertiliser and energy production factories", achieving energy self-sufficiency and eliminating their carbon footprint. Anaerobic pre-treatment with the PUSH reactor has been implemented at the WWTP in El Bobar, Almeria, operated by Aqualia. These reactors have also been successfully evaluated in Portugal, first at two WWTPs operated by Aguas de Algarve, and later at the Cartaxo WWTP, operated by Aqualia.

To improve the energy balance in Almería, bio-methane is used for the purposes of vehicle fuel with an ABAD BioEnergy refining system and a dispenser. As part of fertiliser production strategies, struvite precipitation, enzymatic hydrolysis and solar disinfection techniques using a Fresnel lens have been developed.

- **LIFE INTEXT:** The project optimises low-cost purification technologies in small towns with a view to minimising the energy cost, carbon footprint and waste from the wastewater treatment process. Led by Aqualia, the AIMEN and CENTA technology centres and the University of Aarhus (DK) assess sustainable solutions from an ecological and economic perspective for settlements with less than 5,000 residents, supported by specialist SMEs from Germany, Greece and France.

The Talavera WWTP, managed by Aqualia, operates the demonstration platform for 16 technologies, comparing different systems (wetlands, algae, reactors with biofilms or granular sludge). Simultaneously, the wetlands are also tested at CENTA in Seville, to quantify the climate effect and compare different pre-treatment options (Push, Imhoff).

- **BBI B-FERST:** Fertiberia leads the project to develop new biofertilisers from urban wastewater and by-products from agri-food industries as leader with the participation of Aqualia and ten partners from six different countries. The potential of raw materials recovered from municipal waste and effluents in the production of fertilisers in three countries (Spain, Italy and Czech Republic) is analysed. A struvite precipitation system is also operated at the Jerez WWTP, managed by Aqualia, to incorporate the phosphorus recovered in a new Fertiberia bio-fertiliser demonstration plant in Huelva.

Checks have been performed to verify the conditions under which samples of Aquavite® comply with the limits set out in Law 2019/1009 on fertiliser products, in P2O5 content (16%) and in the presence of pathogens, testing the disinfectant effect of an infrared thermal dryer. This by-product is being used for the recovery of land in Ávila after a forest fire, and agri-food sludge is characterised, as well as waste from the Coosur WWTP (Jaén) operated by Aqualia to incorporate these into Fertiberia's formulations.

- **BBI DEEP PURPLE:** Led by Aqualia and supported by thirteen partners from six countries, the project implements on a demonstration scale a new bio-refinery model, which integrates purple phototrophic bacteria (PPB) in anaerobic carrousel-type systems. These bacteria use solar energy to treat wastewater without aeration, and transform the organic content of wastewater and municipal wastes into raw materials for biofuels, plastics, cellulose and new base materials in the chemical and cosmetics industry.

At WWTPs managed by Aqualia, an initial prototype of the photobioreactor has been optimised at the Toledo-Estiviel WWTP, with a demonstration reactor that is ten times bigger having been built at the Linares WWTP. At the same time, demonstration activities are being prepared at the Badajoz WWTP and at SmVaK in the Czech Republic.

- **H2020 ULTIMATE:** In the Smart Water Economy call, Aqualia participates in two of the five selected consortia, grouped into the CIRSEau cluster, with each one receiving up to €15 million of EU support. In Ultimate, the Dutch technology centre KWR coordinates 27 partners implementing nine innovative demonstrations of synergies between water utilities and industries.

At the Mahou WWTP in Lérida, Aqualia has set up a fluidised anaerobic reactor (FBBR/Elsar) is being installed on an industrial scale, which will later be compared to an AnMBR to recover biomethane and feed a fuel cell. Studies are ongoing in relation to the co-digestion of residual yeast and support for AITASA in Tarragona, where Aqualia has built a new treatment plant for industrial effluents, which could later be used to supply ultrapure water to the factories at the petrochemical industrial complex.

- **H2020 REWAISE:** Aqualia is leading the project as part of the EU's Smart Water Economy programme with the largest business participation, coordinating water companies from the UK (Severn Trent), Sweden (Vasyd) and Poland (AquaNet) from the twenty-four entities that make up the consortium. Together with 7 SMEs and several universities in Croatia, Italy, Poland, Czech Republic, Sweden, and UK, new circular economy and digital management solutions are implemented in "Living Labs" including Aqualia's operations in Asturias, Badajoz, Canary Islands, Denia, Salamanca or Vigo.

Rewaise reinforces Aqualia's strategic lines of technological development, such as the sustainable desalination and reuse of new membranes, the recovery of materials from brine, the reuse of wastewater and its transformation into energy and by-products, and the simulation of the operation and control of processes and networks to optimise service efficiency and water quality. At the Balaídos industrial hub, an AnMBR reactor has been installed to recover resources from urban effluents from the Citroën/Stellantis factory.

- **H2020 SEA4VALUE:** As part of this project, 100% financed by EU funds, the EureCat technology centre coordinates fourteen partners from seven countries to recover resources from brine concentrated in seawater desalination plants (SWDP). Currently at a basic scientific level, at least eight innovative technological solutions are being developed to enrich the most valuable components of seawater (lithium, caesium and rubidium) and recover critical raw materials (magnesium, boron, scandium, gallium, vanadium, indium, molybdenum and cobalt) to a purity that allows their exploitation on the market.

As part of this project, the Aqualia Desalination Innovation Centre in Denia has been reinforced and a new testing platform has been implemented in Tenerife to analyse the technical and economic impact of more sustainable desalination methods as well as new solutions for the recovery of brines. With pilot units at different SWDPs operated by Aqualia, work is being done on the solar concentration of brine, selective precipitation of magnesium, obtaining chlorine dioxide, and optimising the remineralisation of permeate with micronised calcite, reducing CO<sub>2</sub> consumption, turbidity and the size of the installations.

- **H2020 NICE:** The Nice project generates scientific knowledge on nature based solutions (NBS), such as wetlands or green walls for the purification and recovery of resources from urban wastewater. Led by the CETIM technology centre with 14 partners across 9 countries, these solutions aimed at sustainable cities will be implemented in a dozen sites, including Aqualia facilities in Algeciras, Benalmádena, Madrid, Talavera or Vigo. The pilots integrate developments from SMEs and universities in Denmark, France, Italy and Sweden, and include actions with partners in Colombia and Egypt.
- **LIFE PHOENIX:** The Aqualia-led project, supported by the technology centres CETIM and CIESOL, optimises tertiary risk management to achieve the most ambitious objectives of the new European regulation on water reuse (EU 2020/741). In order to assess various effluents, from Aguas de Portugal, the Almeria Provincial Council and the Guadalquivir River Basin Federation, several mobile plants are being built, combining physical-chemical treatment of 50 m<sup>3</sup>/h with advanced filtration of 30 m<sup>3</sup>/h, to be combined with various ultra- and nanofiltration membrane refining skids.

In addition, Newland's European subsidiary Entech is testing with O<sub>3</sub> ozone and UV ultraviolet modules, which enable advanced oxidation and disinfection. A sensor from the Dutch SME MicroLan is also being tested for online microbiological measurements and the continuous monitoring of the quality of reused water, responding to the risk control required under the new EU standard.

- **LIFE ZERO WASTE WATER:** As part of a collaboration between Aqualia, as the leader, and Canal Isabel II, the project has installed a combined treatment unit at the Valdebebas WWTP for Urban Waste Water (UWWW) and the Organic Fraction of Solid Urban Waste (FORSU). For the purposes of purification with a neutral carbon footprint, an AnMBR anaerobic reactor is supplied with 50 m<sup>3</sup>/d, producing biogas, followed by the ELAN process in the water line to remove nitrogen while consuming a low volume of energy. The assessment will assess the management of FORSU, using the sewerage system to transport the mixture of organic matter in a single stream.

In addition to the Universities of Valencia (co-holder of the AnMBR patent) and Santiago (co-holder of the ELAN patent) the Portuguese SME Simbiente is participating to develop an advanced management system, combined with on-line monitoring of microbiological quality by the Austrian SME VWS (Vienna Water Systems).

- **LIFE RESEAU:** The RESEAU project aims to increase the capacity and resilience of the existing sanitation water infrastructures to the impact of climate change. The Aqualia-led project boasts the participation of the ITG technological centre (Fundación Instituto Tecnológico de Galicia) and public operator VCS (Vand Center Syd AS) in Odense (Denmark). As part of Aqualia's operations in Moaña (Pontevedra), sensors (speeds, flows, levels, etc.) will be installed across the sewerage network to monitor and model its behaviour, with a view to developing a flexible flow management model.

A 500 m<sup>3</sup> aerobic granular reactor is also being built at the Moaña WWTP to treat up to 2,000 m<sup>3</sup>/d of wastewater. Compared to conventional activated sludge, this advanced biofilm system multiplies the biological treatment capabilities several times over, improving the WWTP's ability to adapt to charge variation and limiting the space requirements for its implementation. The environmental impact of the risk management process is also significantly reduced by reducing energy needs and avoiding greenhouse gas emissions.

- **LIFE INFUSION:** After completing the Life Methamorphosis project at Ecoparc 2, the Barcelona Metropolitan Area (AMB) asked to extend the operation of the pilots to prepare the designs for several new plants to recover resources from municipal solid waste. Together with the EureCat technology centre and the operator of Ecoparc2, EBESA, the leachate digestion system is optimised with Aqualia, AnMBR and ELAN technologies, with the addition of an ammonium stripping system from the Belgian SME Detricon. Two waste management entities, Cogersa in Asturias and AMIU in the region of Genoa/Italy are also participating to assess the options for implementing the lixivate management solutions in their plants.
- **EFLUENT-EX:** Financed using RIS3 regional specialisation ERDF funds, the autonomous community of Extremadura is committed to a Circular Green Economy and supports the production of clean energy using organic and agro-industrial waste. As part of the E-fluent-EX project, Aqualia investigates different technologies to convert WWTPs into bio-factories and renewable energy sources, promoting sustainable mobility using green biofuels.

At the Badajoz WWTP managed by Aqualia, solar solutions have been installed to heat the digesters, using photovoltaic panels and a solar drying and sanitisation system with a Fresnel lens. Digestion is also optimised using agro-industrial co-substrates, assessing the inventories and characteristics of waste generated by wineries, fruit processing, tomato, cheese making and agro-livestock facilities, with a view to maximising the production of biomethane and hydrogen. In relation to the products of digestion, an innovative biogas upgrading technology is being developed using Ionic Liquid-Based Materials (ILs) for the adsorption and deodorisation of CO<sub>2</sub> in a continuous and controlled manner. Solid waste is transformed into carbonaceous materials (biochar) applying different thermal processes: hydro-carbonisation, pyrolysis and activation.

- **ECLOSION:** the main aim is to create new materials, technologies and processes for the generation, storage and transport of renewable and autochthonous hydrogen and biomethane. These energy vectors will be made using urban waste, agri-food, wastewater and sewage sludge and will be monitored using eco-efficient, flexible and smart optimisation tools.

The Aqualia-led consortium is made up of eight companies, including FCC Medio Ambiente, CADE, Ghenova, ARIEMA, H2B2, Idecal and MindCaps and will undertake research at four development centres, the Valladolid Waste Treatment Plant, managed by FCC Medio Ambiente; and the treatment plants in Salamanca, Lleida and Jerez de la Frontera, managed by Aqualia. The project aims to research bio-electrochemical processes for the generation of renewable gases, thermochemical treatment with supercritical gasification and new separation and storage processes for the gas mixtures produced to generate high-quality pure gases.

- **ZEPPELIN:** researches a flexible series of green hydrogen production and storage technologies based on the use of waste and by-products (agri-food, textiles, treatment plants, refineries, etc.). The aim is to improve the efficiency of how this energy vector is produced, addressing the technological challenges linked to biogas and bioethanol reforming, dark fermentation, microbial electrolysis, gasification and hydrogen storage.

Applying new models for obtaining green hydrogen complementary to electrolysis with renewable energies, decarbonisation is fomented under the principles of the circular economy and digitisation. The consortium, led by Aqualia, includes seven key companies in the hydrogen value chain, such as Repsol, the leading hydrogen producer and consumer in Spain; Naturgy, Redexis and Reganosa, as gas distributors; and other technological partners such as Norvento, Perseo and Técnicas Reunidas. The companies collaborate with nine research organisations (including CETIM, CIEMAT, EnergyLab, CIDAUT, and IMDEA-Energia) to implement several innovative hydrogen production pilots at the Algeciras WWTP, managed by Aqualia, capable of supplying major hydrogen consumers in the area such as Acerinox, Viesgo, Air Liquide, Linde, as well as port companies.

- **CHEERS:** a development project focussed on a zero waste biorefinery, coordinated by Mahou San Miguel, a Spanish beer manufacturer, in collaboration with 10 partners across 5 European countries, including Aqualia/Hidrotec, the Ainia technology centre and the University of Valladolid. Inspired by the biodiversity of nature (insect and microbe platforms), the aim is to reuse underutilised or waste secondary streams such as bagasse, wastewater, CO<sub>2</sub> and CH<sub>4</sub> from the brewing industry for their conversion into five innovative bioproducts that are competitive on the market: insect protein, disinfectant, microbial protein, ectoin and caproic acid. As well as validating new sustainable transformation bioprocesses at a demonstration scale, the aim is to achieve a 50% reduction in the carbon footprint of each value chain.
- **D4RUNOFF** (Data driven hybrid nature based solutions for preventing and managing diffuse urban runoff) develops tools to quantify, avoid and manage diffuse pollution created by urban runoff waters. Led by public water company Vand Center Syd (VCS) in Odense (Denmark), it brings together 12 partners across 5 countries, including Aqualia/Hidrotec, the Technological Institute of Galicia (ITG), the University of Cantabria and Catalan SME Mitiga, a specialist in risk control software.

The work programme includes the development of new analytical methodologies by Hidrotec, the online measurement of indicators of micro-pollutants and bioplastics, and the implementation of preventive strategies to reduce diffuse contamination employing multicriteria analysis and Artificial Intelligence. The Nature Based Solutions (NBS), will be validated at three sites, in Odense (Denmark), Santander (Spain) and Pontedera (Italy), replicating those in Algeciras (Spain), Ostrava (Chequai) and Cairo (Egypt).

- **NINFA:** (TakiNg actIoN to prevent and mitigate pollution of ground wAter) develops ways of monitoring and protecting groundwater, starting with the measurement, modelling and treatment of different pollutants (nutrients, pesticides, pharmaceuticals, hydrocarbons, heavy metals, microplastics and salinity). The groundwater management and pollution prevention strategy is structured around early detection systems, a better understanding of the effects to achieve synergies and the risks of multiple disturbance factors, employing predictive methodologies to increase resilience and implement treatment and mitigation solutions.

The project is being coordinated by the Leitat Technology Centre and brings together 9 other partners across 6 countries. Aqualia participates through its Hidrotec laboratories, in cooperation with the municipality of Los Alcázares (Murcia) located on the shores of the Mar Menor. Collaboration between Aqualia France and the Mines-Télécom Atlantique Institutes in Brittany ( Brest, Rennes and Nantes).

Furthermore, in 2022 two new patents were requested, while news of four proposals submitted in previous years remained pending.

## CONSTRUCTION

FCC Construcción promotes an active policy of technological development, constantly bringing innovation to its projects, with a strong commitment to research and development, sustainability and contribution to the quality of life of society as competitive factors. This innovation policy is coordinated with all other business areas of the FCC Group.

The development and use of innovative technologies to carry out the works is an important contribution to added value and is a differentiating factor in today's highly competitive and internationalised market.

The three types of projects developed by FCC Construcción and its investee companies are: internal projects, projects with other companies in the FCC Group and projects in collaboration with other companies in the sector or other related sectors, often with technology-based SMEs, which enables open innovation projects to be carried out with the participation of the value chain and occasionally in horizontal cooperation. In addition, the presence of universities and technology centres is essential in almost all projects.

In addition, the presence of universities and technology centres is essential in almost all projects.

A number of the projects are being undertaken in coordination with the public administrations, as is the case of CIEN "**Bicisendas**", as part of which several municipalities across Catalonia have been contacted for the creation of a pilot bicycle lane.

At an **international** level, in 2022 work was undertaken as part of the European R&D&i project "**DigiChecks**", funded by the EU Research and Innovation Framework Programme, Horizon Europe, as part of which a Digital Environment is being developed to facilitate interoperability and communication between different construction industry platforms, the management of permits and controls accordingly. The project is structured around new technologies (including BIM, GIS, Artificial Intelligence, Blockchain, Digital Twin), using previous international initiatives as a reference.

In relation to the National Projects undertaken during 2022, the development of the following projects is worth particular note:

- **BICISENDAS:** within the CDTI's CIEN 2018 programme, the aim of which is to *develop a sustainable, energy self-sufficient, intelligent, cleaner, integrated and safe cycle lane.*
- **ONLYBIM:** part of the regional programme of IDEPA of the Principality of Asturias whose objective is the development of a module for the design and execution of non-linear works under BIM methodology
- **ACUSCOIN/ECO:** developed by MATINSA and approved by CDTI, the aim of which is to research an acoustic emission system for assessing corrosion in reinforced concrete infrastructures
- **DESIRE:** developed by FCC Industrial and Infraestructuras Energéticas approved by CDTI, its objective is to develop a prototype of a basic RPAS simulator that, with the use of the software developed and the prototype of mixed reality glasses and the tracking system, complements the information presented to the RPAS pilot and the camera operator
- **CYBERSEC:** developed by FCC Industrial and Infraestructuras Energéticas and approved by CDTI of the CIEN programme, this project entails research into various technologies, techniques, tools, methodologies and knowledge aimed at developing technological solutions for securing against cyber-attacks in highly critical connected environments, such as Industry 4.0, smart cities or critical infrastructures



- **SAIM:** developed by MATINSA and approved by CDTI, aiming to develop a new technological solution to aid environmental management of coastal areas that allows the ecological characterisation of the environment automatically and in real time using information from a new sensorised data collection system, a new satellite information processing algorithm and a new computational simulation model
- **ECOLOGÍA COTORRAS:** developed by MATINSA and submitted to the industrial doctoral candidates programme organised by the Community of Madrid; its aim is to delve into the ecology of the Argentine parrot and Kramer's parrot (and its ecological and health impacts) to better understand how biological invasion processes work and integrate the scientific knowledge generated into the management plans in place for these species.
- **PRACAN:** submitted to CDTI Cooperation projects, the aim of which is to develop a robotic platform for the identification, control and monitoring of carcinogenic agents in construction environments. This platform will be structured around a series of mobile nodes, one land-based and one airborne, with the ability to detect/estimate carcinogens, in particular asbestos and respirable crystalline silica (RCS) as well as a decision-making and alarm configuration system for occupational risk prevention (ORP) technicians, which will activate action protocols and recommendations
- **ROBUST:** submitted to CDTI Cooperation projects, the aim of which is to develop a georeferenced mapping and automated monitoring system for confined environments, mainly tunnels and ditches. To this end, it is due to use new monitoring technology that will require the development and deployment of autonomous aerial robots (drones), as well as the design and development of control systems and algorithms to communicate with the robots.
- **EDIFICTECH:** collaborative project submitted to CDTI that is developing a new 4.0 technological solution for the construction sector employing connected and centralised management for the installation of facades

Research, Development and Innovation (R&DI) is expressly contemplated in the Sustainability Management System under procedure PR/FCC-730. The company holds an RD&I Management System Certificate: RD&I Management System requirements based on Spanish-harmonised standard UNE 166002:2021, certified by AENOR, the Spanish Standardisation and Certification Association. MATINSA and FCC Industrial and Infraestructuras Energéticas are also R&DI Management System certified pursuant to UNE 166002:2021.

## CEMENT

In 2022, the project involving the **ASSESSMENT OF THE POTENTIAL FOR GEOLOGICAL CO<sub>2</sub> STORAGE**, in collaboration with the Geological and Mining Institute of Spain and the Oficemen Group, began.

The aim of this project is to develop scenarios for the potential deployment of CO<sub>2</sub> capture, use and storage technologies (CAUC) in the sector, evaluating their possibilities and associated costs.

Furthermore, the European **BIORECO<sub>2</sub>VER** project as part of the HORIZON 2020 programme came to an end; the Cementos Portland Valderrivas Group had participated in this project, which had been extended due to the impact of the Covid-19 pandemic and whose aim was to obtain alternative processes for the more sustainable commercial-scale production of certain chemical products based on the capture of industrial CO<sub>2</sub> emissions.

As part of the development of different strategies for the production of isobutene and lactic acid, milestones were achieved including increased productivity in the generation of isobutene or the definition of a test bench for the pre-treatment of exhaust gases in the cement industry with a view to concentrating CO<sub>2</sub> and eliminating O<sub>2</sub> and impurities.

Work has now been completed on the technical-economic analysis and the replication of the process. The results are structured around the virtual **BIORECO2VER** plant, which, in turn, is based on hypotheses, the output of the metabolic models developed and the experimental results obtained.

The life cycle analysis sustainability assessment has been completed and the social acceptance and public perception of CO<sub>2</sub>-based products has been subject to evaluation. A number of points were drawn up to implement a good marketing strategy and an education campaign for consumer products that include captured CO<sub>2</sub>.

Outreach and communication activities continued and two final stakeholder events were organised in the form of a hybrid event and a free online webinar, at which attendance was high (each receiving more than 200 attendees).

## 9. OTHER RELEVANT INFORMATION. SHARE PERFORMANCE AND OTHER INFORMATION

### 9.1. Share performance

Attached is a table detailing the performance of FCC's shares during the year compared to the previous year.

	Jan. – Dec. 2022	Jan. – Dec. 2021
Closing price (€)	8.82	10.68
<i>Change in the period</i>	<i>(20.4%)</i>	<i>31.9%</i>
High (€)	11.02	11.00
Low (€)	7.58	7.91
Average daily trading (no. of shares)	51,109	69,303
Average daily trading (million euros)	0.5	0.7
Capitalisation at end of period (million euros)	3,866	4,711
No. of shares circulating at 30 June	438,344,983	425,173,636

*Prices adjusted for 2021 and 2022 scrip dividends*

### 9.2. Dividends

The Company's Board of Directors, at its meeting held on 14 June 2022, agreed to implement the agreement on the distribution of the scrip dividend adopted at FCC's General Shareholders' Meeting on 14 June 2022, in item 4 of the Agenda, in compliance with the terms and conditions agreed at the General Shareholders' Meeting. The holders of 97.94% of the free allocation rights opted to receive new shares, a very similar percentage to the previous years, in recognition for their confidence in management and the Group's value creation potential. Therefore, the paid-up capital increase was for 14,871,347 shares, bringing the total number of shares of capital stock to 440,044,983 shares on 12 July.



Subsequently, pursuant to the resolution adopted at the General Shareholders' Meeting held on 14 June 2022, the redemption of 1.7 million treasury shares was completed on 20 July, thus taking the share capital, on the reporting date, to 438,344,983 shares (see Acquisition and Disposal of own shares) (Note 17 to the consolidated financial statements).

## 10. 10. DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES ACCORDING TO ESMA REGULATIONS (2015/1415en)

### EBITDA

We define EBITDA as earnings from continuing operations before tax, earnings of companies accounted for using the equity method, financial result, depreciation and amortisation charges, impairment, gains or losses on disposals of non-current assets, grants, net changes in provisions and other non-recurring revenues and expenses.

	Dec. 2022	Dec. 2021
<b>Operating profit/(loss)</b>	<b>610,5</b>	<b>802.2</b>
Amortisation of fixed assets and allocation of grants for non-financial and other assets	512,1	443.9
Impairment and gains/(losses) on disposal of fixed and non-current assets	174,9	-123.5
Other gains/(losses)	13,9	4.0
<b>EBITDA</b>	<b>1.311,4</b>	<b>1,126.6</b>

### EBIT

This corresponds to the operating profit/(loss) in the consolidated income statement presented in the accompanying consolidated financial statements.

### BACKLOG

The FCC Group uses the backlog as an additional accounting measure in certain areas of our businesses. We calculate the backlog for our Environment, Water and Construction areas because these businesses are characterised by medium and long-term contracts. Because of its typically short-term purchase cycle, we do not calculate backlog for our Cement business area.

As at any given date, the backlog reflects pending production, that is, amounts under contracts or client orders, net of taxes on production, less any amounts under those contracts or orders that have already been recognised as revenue. We value pending production according to current prices as at the date of calculation. We include in backlog only amounts to which clients are obligated by a signed contract or firm order.

At the Environment division, we recognise the backlog for our waste management contracts only when the relevant contract grants us exclusivity in the geographical area where the plant, landfill or other facility is located.

In our Water business area, we calculate initial backlog on the basis of the same long-term volume estimates that serve as the basis for our contracts with clients and for the tariffs set in those contracts.

In our Construction business area, we recognise the backlog only when we have a signed contract with, or a firm order from, the end client.

Once we have included a contract in our backlog, the value of pending production under that contract remains in backlog until fulfilled or cancelled. However, we do adjust the values of orders in the backlog as needed to reflect any price or schedule changes that may be agreed with the client. For example, after the date of calculation, a price may increase or decrease as a result of changes in contractual production due to additional works to be performed. Due to a number of possible factors, we could fail to realise as revenue part or all of our calculated backlog with regard to a given contract or order. Our backlog is subject to adjustments and project cancellations and is, therefore, an uncertain indicator of future earnings.

In the Real Estate area, the real estate portfolio corresponds to the amount of the collection corresponding to the sales of properties pending formalisation at the end of the period in the Development activity. The GAV at the market value of the real estate assets as determined by independent experts and the occupancy rate at the occupied surface area of the portfolio of rental property assets divided by the portfolio's operating surface area.

#### **NET FINANCIAL DEBT**

Net financial debt is defined as total gross financial debt (current and non-current) less current financial assets, cash and other cash equivalents.

#### **VOLUNTARY TURNOVER RATE**

Ratio of voluntary departures during the year to staff. Both voluntary departures and leaves of absence are considered to be low.

### **11. 11. ANNUAL CORPORATE GOVERNANCE REPORT**

The Annual Corporate Governance Report is available on the website of the National Securities Market Commission and on the issuer's website.

<https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=1&nif=A-28037224>

### **12. 12. ANNUAL DIRECTORS' REMUNERATION REPORT**

The Annual Directors' Remuneration Report is available on the website of the National Securities Market Commission and on the issuer's website.

<https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A-28037224>

### **13. 13. NON-FINANCIAL INFORMATION STATEMENT**

Auditor's Report on Information Relating to Internal  
Control Over Financial Reporting (ICFR) of FOMENTO DE  
CONSTRUCCIONES Y CONTRATAS, S.A. for the year  
ended December 31, 2022



## **AUDITOR'S REPORT ON "INFORMATION RELATING TO THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)"**

(Translation of a report and the information relating to the internal control over financial reporting originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails).

To the Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.:

As requested by the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereinafter, the Company) and our engagement letter of September 28, 2022, we have applied certain procedures in relation to the accompanying "Information relating to the internal control over financial reporting" (hereinafter, "ICFR disclosures") of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A for the year ended December 31, 2022, which summarizes the Company's internal control procedures in respect of its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance, and supervision of an adequate internal control system as well as developing improvements to that system and preparing and establishing the content of the accompanying ICFR-related information.

It should be noted that irrespective of the quality of the design and operability of the internal control system adopted by the Company in relation to its annual financial reporting, it can only provide reasonable, rather than absolute assurance with respect to the objectives pursued, due to the inherent limitations to any internal control system.

In the course of our financial statement audit work and in keeping with Spain's Technical Auditing Standards, the sole purpose of our assessment of the Company's internal controls was to enable us to establish the scope, nature, and timing of the Company's financial statement audit procedures. Accordingly, our internal control assessment, performed in connection with the financial statement audit, was not sufficiently broad in scope to enable us to issue a specific opinion on the effectiveness of the internal controls over the annual financial disclosures that the Company is required to present.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditor's Report on Information Relating to The Internal Control Over Financial Reporting of listed companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Entity's 2022 financial data described in the accompanying ICOFR information. As a result, had we performed additional procedures to those stipulated in the abovementioned Guidelines or had we performed an audit or review of the internal controls over the annual financial disclosures that the Company is required to present, other matters might have come to our attention that would have been reported to you.

Furthermore, given that this special assignment neither constitutes a financial statement audit nor is it subject to prevailing audit regulations in Spain, we do not express an audit opinion in the terms provided for in said regulations.

The procedures performed were the following:

1. Read and understand the information prepared by the Company in relation to the ICFR -which is disclosed in the Annual Corporate Governance Report disclosure information included in the Directors' Report-and assess whether such information addresses all the required information which will follow the minimum content detailed in paragraph F, relating to the description of the ICFR, as per the model Annual Corporate Governance Report established by CNMV Circular nº 5/2013 of June 12, 2013 of the CNMV and subsequent amendments, the most recent being CNMV Circular nº 3/2021 of September 28 (hereinafter, the CNMV Circulars).
2. Making inquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) obtain an understanding of the process followed in its preparation; (ii) obtain information which will allow us to assess whether the terminology used is adapted to the definitions provided in the reference framework definitions; (iii) obtain information on whether the control procedures described are implemented and in use by the Company.
3. Reviewing the explanatory documentation supporting the information detailed in item 1 above, including documents directly made available to those responsible for describing ICFR systems. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the audit and control committee.
4. Comparing the information detailed in item 1 above with their knowledge of the Company's ICFR obtained through the external audit procedures applied during the annual audit of the financial statements.
5. Reading of the minutes taken at meetings of the board of directors, audit and control committee, and other committees of the Company to evaluate the consistency between the ICFR businesses transacted and the information detailed in item 1 above.
6. Obtaining a management representation letter in connection with the work performed, signed by those responsible for preparing and authorizing the information detailed in item 1 above.

The specific procedures carried out in respect of the Company's ICFR disclosures did not reveal any inconsistencies or incidents that could affect such disclosures.

This report was prepared exclusively under the scope of the requirements stipulated in article 540 of the Consolidated Text of Spain's Corporate Enterprises Act and the CNMV circulars on ICFR-related descriptions in listed companies' Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

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Fernando González Cuervo

February 24, 2023