

**Audit Report on Annual Accounts
issued by an Independent Auditor**

**FCC Medio Ambiente, S.A.U.
Annual Accounts and Management Report
for the year ended
December 31, 2023**



AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails. (See Note 25)

To the sole shareholder of FCC Medio Ambiente, S.A.U.:

Opinion

We have audited the financial statements of FCC Medio Ambiente, S.A.U. (the Company), which comprise the balance sheet as at December 31, 2023, the profit and loss statement, the statement of changes in 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, 2023 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.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those regulations are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those 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.

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the financial statements of the current period. These risks 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 risks.

Recognition of uninvoiced accrued revenue

Description The Company recognises part of its revenue with a balancing entry to uninvoiced work for those contracts in which the amount accrued for the service rendered is higher than the amount invoiced, i.e., those for which part of the revenue has not yet been invoiced at the reporting date.

"Trade and other receivables" on the balance sheet as at 31 December 2023 includes 217,151 thousand euros relating to uninvoiced work recognized as revenue at the reporting date.

The recognition and measurement of uninvoiced accrued revenue at each reporting date entails estimates that require Management to make judgements to establish the assumptions underlying those estimates, e.g., estimating work carried out based on contractual terms and the actual invoicing for the remaining months of the year.

Given the complexity of making the estimates to determine uninvoiced accrued revenue, and due to the relevance of the amount of uninvoiced completed work recognized as revenue at 31 December 2023, we determined this to be a most relevant audit issue.

The information related to the measurement policies and principal assumptions applied when determining uninvoiced accrued revenue, as well as the disclosures related to uninvoiced completed work, is provided in Notes 4.i) and 11 of the accompanying financial statements.

Our response

Our audit procedures related to this matter included:

- ▶ Understanding the process designed by Management to recognise uninvoiced accrued revenue, assessing the design and implementation of the relevant controls in place in that process.
- ▶ Selecting a sample of contracts obtained from supporting documentation, including evidence of subsequent certification, invoicing and/or collection to evaluate the reasonableness of Management's assumptions in connection with these estimates.
- ▶ Assessing the reasonableness of the amounts recorded for uninvoiced completed work for a selected sample of contracts, taking into account, among other factors, trends observed in comparable prior years.
- ▶ Reviewing the disclosures made in the notes to the financial statements, assessing whether they are in conformity with the applicable financial reporting framework.

Other information: management report

Other information refers exclusively to the 2023 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 has been 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 2023 financial statements and its content and presentation are in conformity with applicable regulations.

Directors' responsibilities 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.

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:

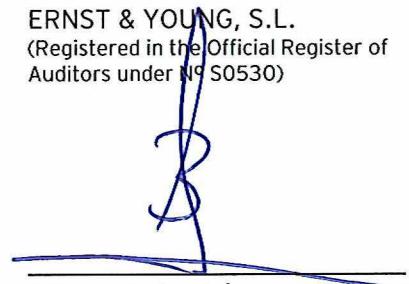
- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 directors 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.

From the significant risks communicated with the Company's directors, we determine those that were of most significance in the audit of the financial statements of the current period and are therefore the most significant assessed risks.

We describe those risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

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



Alfonso Balea López
(Registered in the Official Register of
Auditors under Nº 20970)

April 18, 2024



Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 1 and 25). In the event of a discrepancy, the Spanish-language version prevails.

FCC MEDIO AMBIENTE S.A.U.

**Annual Financial Statements and
Management Report for 2023**

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 1 and 25). In the event of a discrepancy, the Spanish-language version prevails.

BALANCE SHEET AT YEAR-END 2023

(in thousands of euros)

ASSETS	31/12/2023	31/12/2022
NON-CURRENT ASSETS	935,203	748,732
Intangible assets (Notes 5 and 8)	112,249	110,809
Property, plant and equipment (Note 6)	576,667	404,799
Land and buildings	36,644	32,764
Other property, plant and equipment	540,023	372,035
Long term Investments in Group companies and associates (Notes 10.a and 21.b)	177,306	172,872
Equity instruments	107,066	105,721
Loans to companies	70,240	67,151
Non-current financial assets (Note 9.a)	16,793	18,262
Deferred tax assets (Note 18)	23,948	11,892
Non-current trade receivables (Note 8)	28,240	30,098
CURRENT ASSETS	899,646	818,239
Inventories	10,223	8,635
Trade and other receivables	664,811	615,355
Trade receivables for sales and services (Note 11)	587,710	515,906
Clients, group companies and associates (Note 21.b)	48,661	76,920
Receivables from public administrations (Note 18)	11,647	10,165
Other receivables	16,793	12,364
Current investments in Group companies and associates (Notes 10.b and 21.b)	91,341	91,979
Current financial assets (Note 9.b)	14,456	11,410
Current accrued expenses and deferred income	2,844	3,264
Cash and cash equivalents	115,971	87,596
TOTAL ASSETS	1,834,849	1,566,971

Notes 1 to 25 and attached Appendices I to III form an integral part of the financial statements and, along with these statements, make up the financial statements for the 2023 business year.

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EQUITY AND LIABILITIES	31/12/2023	31/12/2022
EQUITY (Note 13)	949,947	849,254
Shareholders' equity	941,383	839,144
Capital	50,000	50,000
Registered capital	50,000	50,000
Share premium	468,564	468,564
Reserves	320,580	227,651
Profit and loss	102,239	92,929
Other equity instruments	8,564	10,110
Valuation adjustments	8,109	9,592
Grants, donations and legacies received	455	518
NON-CURRENT LIABILITIES	320,181	268,044
Non-current provisions (Note 14)	84,359	83,042
Non-current payables (Note 15)	57,313	17,931
Bank borrowings	48,054	9,778
Other financial liabilities	9,259	8,153
Non-current payables to Group companies and associates (Notes 10.c and 21.b)	166,009	154,803
Deferred tax liabilities (Note 18)	11,546	10,545
Trade and other payables non-current (Note 16)	954	1,723
CURRENT LIABILITIES	564,721	449,673
Short-term provisions	2,907	2,953
Current payables (Note 15)	129,428	76,459
Bank borrowings	94,731	50,657
Other financial liabilities	34,697	25,802
Short-term payables to Group companies and associates (Notes 10.d and 21.b)	199,544	118,517
Trade and other payables	232,842	251,744
Suppliers	66,083	74,699
Suppliers, Group companies and associates (Note 21.b)	10,855	19,711
Other payables to public administrations (Notes 16 and 18)	75,639	68,319
Other payables	80,265	89,015
TOTAL EQUITY AND LIABILITIES	1,834,849	1,566,971

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PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

(in thousands of euros)

	31/12/2023	31/12/2022
CONTINUING OPERATIONS		
Revenue (Note 20)	1,667,493	1,549,891
Sales and Service Delivery	1,641,625	1,530,907
Income from holdings in Group companies and associates (Note 21.a)	20,027	14,849
Financial income from marketable securities and other financial instruments held with Group companies and associates (Notes 10 and 21.a)	5,841	4,135
Supplies	(264,891)	(235,593)
Other operating income	69,315	60,955
Staff expenses (Note 20)	(1,055,070)	(981,916)
Other operating expenses	(191,512)	(187,140)
Depreciation and amortisation of fixed assets and allocation of subsidies (Notes 5, 6 and 13.f)	(105,358)	(84,059)
Provision surpluses	8,108	8,320
Impairment and gains/(losses) on disposal of non-current assets and other	(8,092)	(8,366)
OPERATING PROFIT/(LOSS)	119,993	122,092
Financial income	9,176	3,413
Interests in equity instruments in third parties	7,104	3,051
From marketable securities and other financial instruments of third parties	2,072	362
Financial expenses	(19,698)	(12,642)
Payables to Group companies and associates (Note 21.a)	(14,121)	(10,155)
Third party debts	(4,802)	(1,618)
Restatement of provisions	(775)	(869)
Exchange differences	39	(8)
Impairment and profits/(losses) on disposals of financial instruments (Note 10)	2,967	1,849
FINANCIAL PROFIT/(LOSS)	(7,516)	(7,388)
PROFIT/(LOSS) BEFORE TAX	112,477	114,704
INCOME TAX (Note 18)	(10,238)	(21,775)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	102,239	92,929
PROFIT/(LOSS) FOR THE YEAR	102,239	92,929

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STATEMENT OF CHANGES IN NET EQUITY FOR THE BUSINESS YEAR ENDED DECEMBER 31, 2023
(in thousands of euros)

	31/12/2023	31/12/2022
Profit/(loss) as per income statement	102,239	92,929
Income and expense recognised directly in equity		
On financial assets at fair value through changes in equity	(1,452)	1,875
Arising from cash flow hedges	(41)	589
Tax effect	10	(147)
Income and expenses recognised directly in equity	(1,483)	2,317
Write-offs to profit and loss statement		
Grants, donations and legacies received	(84)	(80)
Tax effect	21	17
Total transfers to the income statement	(63)	(63)
TOTAL RECOGNISED INCOME AND EXPENSE	100,693	95,183

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

	Capital stock (Note 13.a)	Share premium (Note 13.b)	Reserves (Note 13.c)	Profit/(loss) for the year	Valuation adjustments (Notes 12 and 13.d)	Subsidiaries (Note 13.e)	Equity
Equity at 31 December 2021	50,000	468,564	134,374	91,452	7,275	581	752,246
Total recognised income and expenses	-	-	-	92,929	2,316	(63)	95,182
Transactions with partners or owners	-	-	-	-	-	-	-
Other changes in net equity	-	-	93,277	(91,452)	-	-	1,825
Distribution of 2021 profit/loss	-	-	91,452	(91,452)	-	-	-
Increases due to business combinations (Note 2)	-	-	1,825	-	-	-	1,825
Equity at 31 December 2022	50,000	468,564	227,651	92,929	9,592	518	849,254
Total recognised income and expenses	-	-	-	102,239	(1,483)	(63)	100,693
Transactions with partners or owners	-	-	-	-	-	-	-
Other changes in net equity	-	-	92,929	(92,929)	-	-	-
Distribution of 2022 profit/loss	-	-	92,929	(92,929)	-	-	-
Equity at 31 December 2023	50,000	468,564	320,580	102,239	8,109	455	949,947

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CASH FLOW STATEMENT FOR THE BUSINESS YEAR ENDED DECEMBER 31, 2023 (in thousands of euros)

	31/12/2023	31/12/2022
Profit for the year before tax	112,476	114,704
Adjustments to profit/loss	86,359	79,178
Depreciation and amortisation of fixed and non-current assets, and allocation of subsidies	105,358	84,059
Impairment loss allowances (Note 10)	(5,155)	1,524
Changes in provisions (Note 14)	2,374	5,629
Profit/loss from derecognition and disposal of fixed and non-current assets	495	(689)
Profit/loss from derecognition and disposal of financial instruments	(298)	(1,605)
Financial income	(35,044)	(22,398)
Financial expenses	19,698	12,643
Exchange differences	(39)	8
Other income and expenses	(1,030)	6
Changes in working capital	(67,044)	2,490
Trade and other receivables	(47,467)	(40,621)
Trade and other payables	(18,556)	43,111
Other current assets and liabilities	(1,021)	-
Other cash flows from operating activities	(2,255)	(9,506)
Interest paid	(6,976)	(10,268)
Interest and dividend collections	30,608	19,383
Corporation tax refunded/paid (Note 18)	(25,887)	2,708
Other collections and payments		(21,329)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	129,536	186,867
Payments due to investments	(281,743)	(404,905)
Group and associated companies (Note 10)	(3,374)	(241,239)
Intangible assets and property, plant and equipment (Notes 5 and 6)	(271,203)	(156,183)
Other financial assets	(7,166)	(7,483)
Proceeds from disposals	10,523	251,052
Group and associated companies (Note 10)	2,247	241,052
Intangible assets and property, plant and equipment (Notes 5 and 6)	2,538	3,720
Other financial assets	5,738	6,279
TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES	(271,220)	(153,853)
Proceeds and payments from equity instruments	0	0
Collections and payments on financial liabilities (Note 15)	170,059	(45,766)
Issue of:		
Bank borrowings	299,002	52,728
Payables to Group and associated companies	90,497	1,209,821
Other payables	89	2,277
Repayment and amortisation of:		
Bank borrowings	(220,100)	(9,520)
Payables to Group and associated companies		(1,300,329)
Other payables	571	(743)
Dividend payments and remuneration on other equity instruments		
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	170,059	(45,766)
Effect of exchange-rate changes		(8)
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	28,375	(12,760)
Cash and cash equivalents at the start of the period	87,596	100,356
Cash and cash equivalents at the end of the period	115,971	87,596

Notes 1 to 25 and attached Appendices I to III form an integral part of the financial statements and, along with these statements, make up the financial statements for the 2023 business year.

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NOTES TO THE FINANCIAL STATEMENTS AT 2023 YEAR-END

CONTENTS		PAG
1.	Company activity	1
2.	Basis of presentation of the financial statements	6
3.	Distribution of profit/loss	9
4.	Recognition and measurement standards	9
5.	Intangible assets	21
6.	Property, plant and equipment	23
7.	Leases	25
8.	Service-concession arrangements	26
9.	Long-term and short-term financial investments	27
10.	Investments and payables to Group and associated companies	29
11.	Trade receivables for sales and services	32
12.	Derivative financial instruments	34
13.	Equity	34
14.	Provisions	37
15.	Long-term and short-term payables	38
16.	Trade payables	39
17.	Information on the nature and level of risk of the financial instruments	40
18.	Deferred taxes and tax situation	43
19.	Guarantee commitments to third parties and other contingent liabilities	48
20.	Income and expenses	48
21.	Transactions and balances with related parties	50
22.	Information on the environment and greenhouse gas emission rights	53
23.	Other information	53
24.	Events after the reporting period	55
	Appendix I — Group companies	
	Appendix II — Joint ventures	
	Annex III — Associated and jointly controlled companies	

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1. COMPANY ACTIVITY

FCC Medio Ambiente, S.A.U is a company incorporated in Spain under the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital). According to its articles of association, the company's corporate purpose is municipal sanitation, engaging in services related to the collection and processing of solid waste and sanitation of public roads and drainage, the treatment of industrial waste, including both the construction and operation of plants, and energy recovery from waste.

Its registered office is at C/ Federico Salmon No. 13, Madrid.

On December 7th, 2019, the company registered its sole proprietorship status in the Mercantile Registry. Furthermore, the company does not have any contracts with its Sole Shareholder beyond the contracts listed in Note 21.

Spinoff of the environmental-services activity branch

At its meeting on May 8th, 2019, the Ordinary General Shareholders' Meeting of Fomento de Construcciones y Contratas, S.A., resolved to approve the corporate reorganisation of the Group's environmental services activities and the allocation of core assets (spinoff) in this area to FCC Medio Ambiente, S.A.U. As a result, on September 5th, 2019 the deed titled "Spinoff between Fomento de Construcciones y Contratas, S.A. (as the spun-off company) and FCC Medio Ambiente, S.A.U. (as the beneficiary company)" was signed, whereby the former spun off a portion of its assets, including:

- Collection, treatment and disposal of municipal solid wastes, cleaning of public roads, building maintenance, municipal sanitation and maintenance of green spaces and beaches.
- Activities related to industrial waste management and treatment services performed directly in Spain by the company spinning off the assets.
- Financial holdings in a number of corporate entities through which it performs these activities.

The above activities are an autonomous and independent business unit transferred entirely by universal succession to the entity FCC Medio Ambiente, S.A.U., pursuant to the provisions of Articles 71, 73 and subsequent articles of Law 3/2009, of 3 April, on structural amendments of corporate entities. The beneficiary company therefore subrogates the position of Fomento de Construcciones y Contratas, S.A. in relation to all of the assets, rights, actions, obligations, holdings, responsibilities and charges relating to the assets and liabilities spun off through universal succession.

FCC Group undertook this operation to streamline its organisational structure by organising the entire environmental services business line under an independent entity in order to optimise commercial, business and financial risk management through greater specialisation and a sharper individual focus.

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Subsequently, a corporate reorganisation was carried out by transferring financial holdings in various companies engaged in activities relating to industrial waste management and treatment services, carried out in Spain by FCC Servicios Medio Ambiente Holding, S.A.U., a company fully owned by Fomento de Construcciones y Contratas, S.A. (Note 10).

Merger by absorption in 2022

The governing bodies of the companies FCC Medio Ambiente, S.A.U., Aparcamientos Concertados, S.A. and Castellana de Servicios approved the joint merger by absorption on 30 June 2022 between FCC Medio Ambiente, S.A.U. (as the absorbing company) and Aparcamientos Concertados, S.A. and Castellana de Servicios S.A. (as the absorbed companies). The approved merger balance sheets corresponded to those closed on December 31st, 2021.

These mergers took place following the simplified procedure provided for in Article 49(1) of the Spanish Law on Restructurings (Ley de Modificaciones Estructurales), given that the absorbing company is the sole shareholder of the absorbed company, as expressed in the Merger Plan and in accordance with the unanimous resolution passed by the Sole Shareholder of both companies, pursuant to Article 42 of the same Law.

As a consequence of the merger, the assets of the absorbed companies, Aparcamientos Concertados, S.A. , Castellana de Servicios S.A. and Compañía Catalana de Servicios, S.A.U., were transferred entirely to FCC Medio Ambiente, S.A.U., whereupon the former was dissolved and all its shares were redeemed and cancelled. The operations of the absorbed company were considered to have been carried out for accounting purposes by the absorbing company as from January 1st, 2022 for Aparcamientos Concertados, S.A. and Castellana de Servicios S.A.

As they are companies belonging to the same group, the assets and liabilities acquired were valued at their carrying amounts in the consolidated financial statements of the FCC Group at January 1st, 2022 and January 1st, 2021, respectively, in accordance with Recognition and Measurement Standard 21 of the Spanish National Chart of Accounts (*Plan General de Contabilidad*).

The date from which the operations of the absorbed company were to be considered as carried out by FCC Medio Ambiente, S.A. was January 1st, 2022, in the case of Aparcamientos Concertados, S.A. and Castellana de Servicios S.A. As a consequence of the aforementioned merger operation, an impact on reserves of 519 and 1,306 thousand euros respectively was revealed.

The aforementioned merger operation was subject to the tax neutrality regime regulated in Chapter VIII of Title VII of R.D.L 27/2014, of November 27th, which approves the consolidated Text of the Corporate Tax Law.

The merger balance sheet for the acquired companies as of December 31st, 2021 is attached below:

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ABSORBED COMPANIES	APARCAMIENTOS CONCERTADOS, S.A.	CASTELLANA DE SERVICIOS, S.A.	Contribution to FCC Environment, S.A.U.
	31/12/2021	31/12/2021	TOTAL CONTRIBUTED
Figures in thousands of euros			
ASSETS			
NON-CURRENT ASSETS	0	1,057	1,057
Intangible assets	0	0	0
Property, plant and equipment	0	996	996
Other property, plant and equipment		996	996
Long-term financial investments		1	1
Deferred tax assets		60	60
CURRENT ASSETS	2,164	1,386	3,550
Inventories			0
Trade and other receivables	4	355	359
Trade receivables for sales and services	3		3
Customers, Group and associated Companies		157	157
Receivables from public administrations		18	18
Other receivables	1	180	181
Current investments in Group companies and associates	2,125	1776	2,901
Cash and cash equivalents	35	255	290
TOTAL ASSETS	2,164	2,443	4,607

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EQUITY AND LIABILITIES	31/12/2021	31/12/2021	TOTAL CONTRIBUTED
EQUITY	1,353	1,312	2,665
Shareholders' equity	1,353	1,312	2,665
Capital	630	300	930
Issued capital	630	300	930
Issue premium			0
Reserves	204	586	790
Profit and loss	519	426	945
Other equity instruments	0	0	0
NON-CURRENT LIABILITIES	0	798	798
Long-term provisions			0
Long-term payables	0	0	0
Long-term payables to Group and associated companies		633	633
Deferred tax liabilities		165	165
Non-current trade and other payables			0
CURRENT LIABILITIES	811	333	1,144
Short-term provisions			0
Short-term payables	0	5	5
Other financial liabilities		5	5
Short-term payables to Group and associated companies	629	9	638
Trade and other payables	182	319	501
Suppliers	65	66	131
Suppliers, Group and associated companies		5	5
Other payables to public administrations	35		35
Other payables	82	248	330
TOTAL EQUITY AND LIABILITIES	2,164	2,443	4,607

The information on the restructuring arrangements subject to the special regime for mergers, demergers, contributions of assets, exchanges of securities and changes of registered office of a European company or a European cooperative society from one Member State to another Member State of the European Union, as governed by Title VII, Chapter VII of the Spanish Corporate Income Tax Law, is included in the notes to the consolidated financial statements for the year in which such arrangements took place.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

These financial statements were prepared from the accounting records of FCC Medio Ambiente, S.A.U. and of the joint ventures in which it is involved, pursuant to the Code of Commerce, Legislative Royal Decree 1/2010, of July 2nd, approving the consolidated text of the Spanish Corporate Enterprises Act and the amendments introduced by Law 31/2014, of 3 December, and Royal Decree 1514/2007, which introduced the Spanish National Chart of Accounts, together with its amendment, incorporated by Royal Decree 602/2016, of 2 December. Additionally, on 30 January 2021, Royal Decree 1/2021 of 12 January was published, amending the General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November. The changes to the Spanish National Accounting Plan are applicable to financial years beginning on or after 1 January 2021 and are mainly focussed on the criteria for the recognition, measurement and breakdown of income and financial instruments. The accounting policies and standards contained in the regulatory amendments of Royal Decree 1159/2010, of 17 September, and sector plans, including Order EHA/3362/2010, enacting the accounting plan of public infrastructure concessionary companies, and all applicable obligatory standards, resolutions and recommendations of the Spanish Accounting and Audit Institute (ICAC) have also been included. Accordingly, these financial statements present a fair view the company's equity, financial position, results and cash flows in the corresponding business year.

In particular, it should be noted that 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 and associated companies" and "Finance income from marketable securities and other financial instruments of Group and associated companies" are recognised under "Income" in the accompanying profit and loss statement.

These financial statements, which have been prepared by the company's Board of Directors, will be submitted for approval by the Single Shareholder and it is believed that they will be approved without any amendments. For its part, the annual accounts for the 2022 financial year were approved by the Sole Shareholder on June 12th, 2023.

The financial statements are expressed in thousands of euros.

Joint ventures and similar entities

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

The joint ventures were included through adjustments in order 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 income and expenses. In the notes to the financial statements, the corresponding amounts are broken down when they are large.

The balance sheet and income statement include the balance sheet aggregates at the percentage of ownership in the joint ventures outlined below:

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	2023	2022
Revenue	306,198	254,044
Operating profit/(loss)	19,898	19,864
Non-current assets	135,749	123,514
Current assets	(289,755)	(260,111)
Equity	16,404	15,811
Non-current liabilities	24,906	22,855
Current liabilities	(195,316)	(175,263)

The joint ventures and shareholdings are listed in Appendix II.

Grouping of headings

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

Consolidated financial statements

The Company is exempted from the obligation to prepare consolidated financial statements pursuant to the applicable legislation, Articles 43 of the Spanish Commercial Code and 7 of the Rules for the Preparation of the Consolidated Financial Statements of Royal Decree 1159/2010 of 17 September, since it is a subsidiary of the FCC Group, whose parent company is Fomento de Construcciones y Contratas, S.A., with registered office at c/ Balmes, 36, Barcelona 08007, Spain, and whose shares have been admitted for official trading on the four Spanish stock markets (Madrid, Barcelona, Bilbao and Valencia) through the Stock Exchange Interconnection System (Continuous Market). The annual accounts and consolidated management report of Fomento de Construcciones y Contratas, S.A. for fiscal year 2022 were approved by the General Shareholders' Meeting held on June 14th, 2023 and deposited in the Barcelona Mercantile Registry.

The consolidation of the unaudited financial statements for 2023 of FCC Medio Ambiente S.A.U. and subsidiaries, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS), would present consolidated attributable equity of 1,056,069 thousand euros (2022: 951,414 thousand euros), assets totalling 2,109,464 thousand euros (2022: 1,837,448 thousand euros) and attributable consolidated profit of 104,358 thousand euros (2022: 114,718 thousand euros).

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Restatements

No restatements were made in the current financial statements.

Comparison of information

The information contained in these notes to the financial statements for 2023 is presented for purposes of comparison with the information for 2022.

3. DISTRIBUTION OF PROFIT/LOSS

The proposed distribution of profits/losses made by the company's directors and to be submitted for approval by the Sole Shareholder is as follows (in thousands of euros):

	2023
Profit/loss for the year, before distribution (in thousand of euros)	102,239
Distribution	
To voluntary reserves	102,239

4. RECOGNITION AND MEASUREMENT STANDARDS

The main recognition and measurement bases used by the company in the preparation of the 2023 financial statements, in accordance with the Spanish General Chart of Accounts, were as follows:

a) Intangible assets

a.1) Concession arrangements

Concession contracts that meet the conditions set out below are recognised in accordance with General Chart of Accounts approved by Royal Decree 1514/2007, of November 16th, 2007, as subsequently amended in 2016 by Royal Decree 602/2016, of December 2nd 2016, and in 2021 by Royal Decree 1/2021, of January 12th, 2021. Likewise, the abbreviated annual accounts have been prepared based on order EHA/3362/2010, which develops the accounting plan for public infrastructure concessionaire companies. In general, there are two clearly differentiated phases:

A first phase in which the concessionaire provides construction or improvement services, and a second phase in which a series of maintenance or operation services are provided for the aforementioned infrastructure, both of which are recognised in accordance with the standard for the recognition and measurement of revenues obtained from sales and services rendered, with a balancing entry in an intangible or financial asset.

Concessions classified as financial assets are recognized at the fair value of the construction or improvement services provided. Under the amortised cost method, the corresponding finance income is allocated to the profit or loss as income, in accordance with the effective interest rate arising from the expected flow of receipts and payments from the concession. Financial expenses

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arising from the financing of these assets are classified under “Financial expenses” in the profit or loss statement. As mentioned previously, in relation to maintenance or operation services, income and expenses are allocated to the income in line with registration and measurement base no. 14 "Income from sales and services" of the Spanish National Chart of Accounts.

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 relating to this heading. Maintenance costs are recognised in the profit and loss statement for the business year in which they are incurred.

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

b) Property, plant and equipment

Items of property, plant and equipment are measured initially at acquisition or production cost when the company has performed in-house work on its non-current assets, and are subsequently carried net of accumulated depreciation and any impairment losses. At year-end, no signs of significant losses in value were identified in any of the company’s property, plant and equipment, and the recoverable amount of the assets was not lower than their carrying amount. Upkeep and maintenance expenses relating to property, plant and equipment are taken to the profit and loss statement in the business year in which they are incurred. However, improvement expenses leading to increased capacity or efficiency or to a lengthening of the useful life of the assets are capitalised.

For property, plant and equipment that necessarily takes a period of more than 12 months to get ready for their intended use, the capitalised costs include borrowing costs that 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 its property, plant and equipment on a straight-line basis, using annual rates based on the years of estimated useful life of the assets, as follows:

	Years of estimated useful life
Buildings and other structures	25 - 50
Plant and machinery	5 - 12
Other installations, tools and furniture	5 - 12
Other property, plant and equipment	4 - 10

However, some contracts may have terms shorter than the useful life of the related property, plant and equipment, in which case they are depreciated over the term of the contract.

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

All intangible and tangible assets have a finite useful life; consequently, whenever there are indications of impairment, the Company estimates —through

what is known as the “impairment test”— any possible loss that might bring the recoverable amount of those assets to below their carrying amount.

The recoverable amount is the higher of fair value less sale costs and value in use. In order to calculate the recoverable amount of assets subject to impairment tests, the current 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 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.

d.1) Finance leases

For finance leases where the company acts as the lessee, the cost of leased assets is recognised in the balance sheet by the nature of the leased asset and, simultaneously, a liability is recorded for the same amount. This amount will be the lower of the fair value of the leased asset and the current value at inception of the minimum amounts agreed, including the purchase option, when there are no reasonable doubts that the purchase option will be exercised. The calculation does not include contingent rent, service costs or taxes that can be passed on by the lessor. The total financial burden for the lease is taken to the profit and loss statement for the business year in which it is incurred, using the effective interest rate method. Contingent instalments are recognised as an expense for the business year in which they are incurred.

When the finance lease expires, the company exercises the purchase option and the lease arrangements do not impose any restrictions on exercising this option. Lease agreements do not contain any renewal agreements or review or escalation clauses.

Assets recognised under this type of arrangement are depreciated using the same methods applied to property, plant and equipment as a whole, taking their nature and useful lives into account.

The company did not have any finance leases in which it acts as the lessor.

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d.2) Operating leases

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

When the company acts as lessor, income and expenses from operating leases are recognised in the profit or loss accounts in the business 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 these 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 the 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:

- Financial assets at amortised cost. In general, the following fall into this category:
 - Trade receivables: financial assets originating from the sale of goods and the provision of services from the company's ordinary business subject to deferred payment.
 - Non-trade receivables: financial assets which, not being equity instruments or derivatives, do not originate from trade operations and whose collections are of a determined or determinable amount, deriving 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 directly attributable transaction costs.

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.

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

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

The subsequent measurement is at fair value, without deducting any transaction costs that may be incurred from their 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 allocated to the profit and loss statement.

- Financial assets at cost: includes investments in Group, associated and jointly controlled companies. Group companies are considered to be those over which the company has control, while associated companies are companies over which the company exercises a significant influence. Jointly controlled companies 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 carrying amount and the recoverable amount, understood as the greater of their fair value minus sale 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 profit and loss 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 receivable.

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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 the company's payables and accounts payable which have resulted from the purchase of goods and services as a result of the company's trade transactions, or payables and accounts payable which, 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 12 months from the balance sheet date are classified as current liabilities and those maturing within more than 12 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.

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e.4) Accounting hedges

Cash flow hedges

The Company uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed. These risks relate mainly to changes in interest rates. Within the framework of these transactions, the company arranges hedging instruments (Note 12).

For financial instruments to qualify for hedge accounting, they are initially designated as hedges and the hedge relationship is documented. The company also verifies the effectiveness of the hedge initially and on an on-going basis during the term of the hedge. A hedge is effective if it is expected, prospectively, that the changes in fair value or in the cash flows from the hedged item (attributable to the hedged risk) are almost entirely offset by those of the hedging instrument and that, retrospectively, the gains or losses on the hedge have fluctuated within a range of 80% to 125% of the gains or losses on the hedged item.

The company arranges cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised temporarily in equity and taken to profit or loss in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a financial asset or liability, in which case the amounts recognised in equity are included in the cost of the asset acquired or liability assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer meets the criteria for hedge accounting. Any cumulative profit or loss corresponding to the hedging instrument recognised in equity at that time remains in equity until the forecast transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gains or losses recognised in equity are transferred to net profit or loss for the period.

Although certain derivative instruments cannot be classified as hedges, this is only for accounting purposes since for financial and management purposes all the derivatives arranged by the company have, at inception, an underlying financial transaction and the sole purpose of hedging the transaction.

Derivatives are not considered for the purposes of hedge accounting if they fail the effectiveness test, which requires the changes in the fair value or in the cash flows of the hedged item directly attributable to the risk of the instrument to be offset by changes in the fair value or in the cash flows of the derivative hedging instrument. When this is not the case, changes in the value of the instruments not catalogued as hedges are allocated to the profit or loss statement.

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Financial derivatives are measured by experts on the subject using generally accepted methods and techniques. These experts are independent from the company and the entities financing it.

f) Inventories

Inventories are valued at the lower of acquisition or production cost or net realisable value. Trade discounts, rebates, other similar items and interest included in the nominal amount of the payables are deducted when determining the acquisition cost.

Assets awarded for the collection of receivables are measured at the amount at which the receivable corresponding to the asset received was recognised or at the lower of production cost or net realisable value.

Production cost includes the costs of direct materials and, where applicable, direct labour costs and general manufacturing expenses incurred.

The net realisable value represents the estimated costs that will be incurred in providing the service.

The Company performs the appropriate valuation adjustments, recording them as an expense in the profit and loss statement when the net realisable value of the inventories is lower than their acquisition price.

g) Foreign-currency transactions

The company's operating 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 on the transaction date.

At year-end, money market assets and liabilities denominated in foreign currencies are translated into euros at the closing exchange rate. Any gains or losses are recognised directly in profit or loss for the business year in which they arise.

h) Corporate tax

The expense for corporation tax is calculated on the basis of pre-tax profit/loss, 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 business year's accounting close and the subsequent tax settlement at the payment date are added to or deducted from the resulting tax charge. Additionally, adjustments to deferred tax assets and liabilities due to changes in the prevailing tax rate are recognised as a corporate tax expense.

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The temporary differences between accounting profit and taxable profit for corporate 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 capitalises deferred tax assets corresponding to temporary differences and tax losses pending offset, except in cases in which reasonable doubts exist regarding their future recovery or such recovery extends over a period exceeding ten years.

i) Income and expenses

The Company recognises income in the ordinary course of business when control of the goods or services promised to customers is transferred. On an accrual basis, income is recognised with the transfer of control and expenses are recognised when they occur, irrespective of the date of collection or payment.

Income from commitments that are fulfilled over time is recognised by reference to the stage of completion or progress towards complete fulfilment of contractual obligations provided that the company has reliable information to measure the stage of completion. For contractual obligations that are due at a specific point in time, income from their performance is recognised at that date.

The company recognises as income from its contracts in each business year the difference between output for the year (valued at the sale price of the services provided during the period, as set out in the principal contract and in the approved reviews, and other services for which, although not yet approved, there is reasonable certainty regarding their payment) and the costs incurred. Late payment interest is recognised as revenue when definitively approved or received.

The difference between the output amount and the amount billed until the reporting date is booked as "Output pending invoicing" under "Trade receivables for sales and services". In turn, amounts billed in advance for certain items are included under current liabilities as "Customer advances" under "Trade and other payables".

Interest received on financial assets is recorded using the effective interest method and dividends when the shareholder's right to receive them is declared. In any case, interest and dividends on financial assets accrued subsequent to acquisition are recorded as income in the profit and loss statement.

For any dividends received, any distribution of available reserves will be classified as a "profit/loss distribution" operation and, consequently, will lead to the recognition of an income in the partner, provided that, from the acquisition date, the investee or any group company owned by the latter has generated profits for an amount greater than the equity that is distributed. The judgment on whether profits have been generated by the investee shall be made exclusively on the basis of the profits recorded in the individual profit and loss account from the date of acquisition, unless undoubtedly the distribution charged to said profits must be classified as a recovery investment from the perspective of the entity receiving the dividend.

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

j) Provisions and contingencies

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

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

Provisions for dismantling, removal or restoration and environmental provisions are recognised by increasing the value of the related asset by the present value of the expenses that will be incurred when operation of the asset ceases.

Profit or loss is affected when the asset concerned is depreciated as described in previous sections of this Note and by the discounted present value as described in the preceding paragraph.

Provisions are classified as current or non-current in the accompanying balance sheet on the basis of the estimated maturity date of the obligation covered by them, and non-current provisions are considered to be those whose estimated maturity date exceeds the average cycle of the activity giving rise to the provision.

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.

k) Environmental capital assets

Environmental assets are assets that are used on a long-term 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 acquisition of these elements is recognised in "Property, plant and equipment" and "Intangible assets", in line with the nature of the investment, depreciating or amortising them over their useful life or in line with the demand for or use of the infrastructure in the service concession arrangements. Likewise, the company recognises the expenses and provisions inherent to the environmental commitments acquired in line with prevailing accounting legislation.

The company implements an environmental policy based not only on strict compliance with prevailing legislation in the area of environmental improvement and defence, rather it goes beyond it, through the establishment of preventive planning and analysis and minimisation of the environmental impact of its activities.

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The Company's management believes that any contingencies related to environmental protection and improvement at December 31st, 2023 would not have a significant impact on the accompanying financial statements, which include provisions to cover the probable environmental risks that might arise.

l) Subsidies

The Company records subsidies received according to the following criteria:

l.1) Non-refundable subsidies

These are measured at the amount received or at the fair value of the asset awarded, depending on whether they are monetary or non-monetary. They are then recognised in profit or loss over the same period and in the proportions in which depreciation on those assets is charged or when, where appropriate, the assets are disposed of or impaired, except for those received from equity holders or owners, which are recognised directly in equity.

l.2) Operating grants

These grants are taken to the income when they are awarded, except if they are granted to finance operating losses in future periods, in which case they are recognised in those periods. Grants awarded to finance specific expenses are recognised as income when the financed expenses accrue.

m) Estimates used

When preparing these financial statements, estimates were made by the company's directors to measure some of the assets, liabilities, income, expenses and obligations reported herein. These estimates essentially relate to the following:

- The recoverability of deferred tax assets (Notes 4.h and 18).
- The recoverability of investments in Group and associated companies, and loans and receivables with these Group and associated companies (Notes 4.e and 10).
- The measurement of possible impairment losses on specific non-financial 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 specific provisions (Notes 4.j and 14).
- The recognition of income yet to be invoiced (Notes 4.i and 11).

Although these estimates were drawn up on the basis of the best information available as at 31 December 2023, future events may require adjustments in coming years, where appropriate to be made in advance.

n) Related-party transactions

In general, transactions between Group companies are initially recognised at fair value. If the agreed price differs from its fair value, the difference is recorded on the basis of the economic

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reality of the transaction. Subsequent valuation is performed in accordance with the relevant standards.

o) Cash flow statement

The following terms are used in the cash flow statement:

- Cash flows: inflows and outflows of cash and cash 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 investment activities: payments and collections arising from acquisitions and disposals of non-current assets.
- Cash flows from financing activities: payments and collections from the placement and settlement of financial liabilities, equity instruments and dividends.

5. INTANGIBLE ASSETS

Changes in this heading in the accompanying balance sheet in the 2023 and 2022 business years were as follows:

	Concession agreements	Concessions	Software applications	Other intangible assets	Accumulated amortisation	Total
Balance at 31.12.21	163,423	8,356	3,057	28,032	(98,805)	104,063
Additions or allocations	18,338	1,435	120	2,003	(12,147)	9,749
Derecognitions, disposals or reductions	(54)	—	(11)	(3,769)	475	(3,359)
Transfers	227	—	—	141	(12)	356
Balance at 31.12.22	181,934	9,791	3,166	26,407	(110,489)	110,809
Additions or allocations	7,054	21	131	7,121	(12,689)	1,638
Derecognitions, disposals or reductions	—	(198)	(11)	(704)	791	(122)
Transfers	—	(615)	—	505	34	(76)
Balance at 31.12.23	188,988	8,999	3,286	33,329	(122,353)	112,249

The most significant activity in 2023 under the heading "Concession agreements" includes an extension of the El Campello (Alicante) municipal solid waste treatment plant for a total of 1,064 thousand euros, which continues the work started in 2020, as well as the waste treatment plant in Valladolid for a total of 5,527 thousand euros.

The most significant change in 2022 under the heading of "Concession agreements" was the extension of the El Campello (Alicante) municipal solid waste treatment plant for a total of 3,798 thousand euros, the start-up of the Valladolid waste treatment plant for a total of 444 thousand euros, and the contract with the private partner under the Montoliu waste treatment plant joint venture worth a total of 1,600 thousand euros. Also included in the 2022 figure are the actions pending completion worth 10,470 thousand euros at the Granada and Campello plants, which are included under non-current provisions (Note 14).

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Details of the fixed and non-currents assets and of the related accumulated amortisation as of December 31st, 2023 and 2022 are as follows:

	Cost	Accumulated amortisation	Net
<u>2023</u>			
Concession arrangements (Note 8)	188,988	(91,586)	97,402
Concessions	8,999	(7,211)	1,788
Software applications	3,286	(1,826)	1,460
Other intangible assets	33,329	(21,730)	11,599
	234,602	(122,353)	112,249
<u>2022</u>			
Concession arrangements (Note 8)	181,934	(82,935)	98,999
Concessions	9,791	(6,708)	3,083
Software applications	3,166	(1,761)	1,405
Other intangible assets	26,442	(19,120)	7,322
	221,333	(110,524)	110,809

The "Concessions" heading, which relates mainly to businesses operated through joint ventures, which basically includes the amounts paid to obtain municipal sanitation concessions. A key change in 2023 was the amount paid under the RBU LV PI. Guadix contract for a total of 21 thousand euros. The most significant changes in 2022 were the amounts paid under the Rubi sanitation contract and the S.U. Alicante joint venture for 615 and 598 thousand euros, respectively.

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.

With regard to net intangible assets, a total of 22,372 thousand euros (December 31st, 2022: 19,068 thousand euros) relates to assets arising from arrangements operated jointly through joint ventures.

At year-end, all the intangible assets are used in the various production processes.

At December 31st, 2022 and December 31st, 2023, the Company had no significant intangible assets located outside Spain, assets pledged as collateral, or purchase commitments for a relevant amount.

6. PROPERTY, PLANT AND EQUIPMENT

Changes in this heading in the accompanying balance sheet in the 2023 and 2022 business years were as follows:

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	Other property, plant and equipment					Total
	Land and buildings	Plant and other items of property, plant and equipment	Advances and PP&E under construction	Accumulated amortisation	Impairment	
Balance at 31.12.21	76,763	978,050	9,077	(734,132)	(64)	329,694
Additions or allocations	1,006	152,496	1,718	(71,992)	(4)	83,224
Derecognitions, disposals or reductions	(2,485)	(38,736)	(31)	33,489		(7,763)
Transfers	8	471	(847)	12		(356)
Balance at 31.12.22	75,292	1,092,281	9,917	(772,623)	(68)	404,799
Additions or allocations	6,411	248,179	12,847	(92,704)	(87)	174,646
Derecognitions, disposals or reductions	(395)	(84,407)	(701)	82,494	155	(2,854)
Transfers	—	4,899	(6,573)	1,750	—	76
Balance at 31.12.23	81,308	1,260,952	15,490	(781,083)	-	576,667

- The most significant additions to property, plant and equipment in 2023 and 2022 relate to assets associated with the service contracts operated by the Company, mainly vehicles and machinery assigned to street cleaning and waste collection contracts. Notably additions in 2023 (in thousands of euros) took place in relation to the following contracts: SU Zaragoza (58,049), RBU Madrid (24,372), SU Salamanca (14,140), SU Barcelona (14,138), SU Vigo (10,919).
- The “Derecognition, disposals or reductions” heading basically includes derecognition of assets that had mostly been depreciated in full.

The detail of property, plant and equipment and of the related accumulated depreciation at 31 December 2023 and 2022 is as follows:

	Cost	Accumulated depreciation	Impairment	Net
<u>2023</u>				
Land and buildings	81,308	(44,664)	—	36,644
Plant and other items of property, plant and equipment	1,260,952	(736,419)	—	524,533
Advances and fixed and non-current assets under construction	15,490	—	—	15,490
	1,357,750	(781,083)	0	576,667
<u>2022</u>				
Land and buildings	75,292	(42,528)	—	32,764
Plant and other items of property, plant and equipment	1,092,281	(730,095)	(68)	362,118
Advances and fixed and non-current assets under construction	9,917	-	—	9,917
	1,177,490	(772,623)	(68)	404,799

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The Company owns real estate the value of which at year-end was broken down by building value and land value as follows:

	2023	2022
Land	13,455	11,462
Buildings	67,853	63,830
	81,308	75,292

For net property, plant and equipment, 97,914 thousand euros (82,157 thousand euros as at December 31st, 2022) relate to assets arising from arrangements operated jointly through joint ventures.

During the 2023 and 2022 business years, the company had not capitalised any financial expenses under "Property, plant and equipment".

All property, plant and equipment at year-end are used in the company's activities. However, a portion of this property, plant and equipment was fully depreciated, amounting to 496,811 thousand euros in 2023 (493,435 thousand euros in 2022), of which 28,758 thousand euros related to the "Buildings" heading (25,268 thousand euros as at December 31st, 2022). The property, plant and equipment that is fully amortised corresponding to joint ventures amounted to 35,704 thousand euros in 2022 (18,424 thousand euros as at December 31st, 2022).

At year-end 2023, the company had entered into various finance lease arrangements relating to its property, plant and equipment (Note 7). There were also commitments to purchase fixed assets for 69,192 thousand euros (December 31st, 2022: 134,753 thousand euros), mainly relating to vehicles and machinery assigned to the street cleaning and waste collection services under the various contracts renewed in 2023.

Property, plant and equipment whose ownership has been restricted by the company basically relates to assets financed through finance leases.

The company does not have any investments in property, plant and equipment located abroad at 2023 and 2022 year-end, nor any assets pledged as a security.

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

7. LEASES

a) Finance leases

The Company has recognised leased assets in contracts that basically have a maximum term of five years with generally post-payable instalments and, therefore, the current value does not differ significantly from their nominal value. Almost all of the assets leased are lorries and machinery for waste collection and cleaning services.

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The characteristics of the finance lease contracts in effect at the closing date for the 2023 and 2022 business years were as follows:

	2023	2022
Net carrying amount	4,874	9,937
Accumulated depreciation	(3,056)	(4,499)
Cost of the assets	7,930	14,436
Financial expenses	378	540
Cost of capitalised assets	8,308	14,976
Instalments paid in the year	4,260	2,836
Payments made in prior years	1,480	6,683
Outstanding lease instalments, including the purchase option	2,568	5,457
Financial expenses pending accrual	58	32
Current value of the outstanding lease instalments, including the purchase option (Note 15)	2,510	5,425
Term of the contracts (years)	2 to 5	2 to 5
Value of purchase options	107	185

The finance lease arrangements entered into by the company do not include instalments whose amount must be determined based on future economic events or indices; accordingly, no expenses were incurred in the business year for the payment of contingent lease instalments.

b) Operating leases

The company pays operating leases essentially for the rental of buildings and premises used as offices, warehouses, changing rooms and garages for the environmental services activity.

In 2023 these lease expenses amounted to 33,255 thousand euros (28,702 thousand euros as at December 31st, 2022), and no contingent expenses were incurred and no income was obtained from subleases.

At the end of the year, the company had the following minimum lease instalments with lessors in accordance with the current lease contracts in force, without taking into account the impact of shared expenses, future CPI increases or future updates of contractually agreed rents:

	2023	2022
Up to one year	15,339	14,299
Between one and five years	40,695	34,255
More than five years	13,094	12,543
	69,128	61,097

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8. SERVICE CONCESSION ARRANGEMENTS

The following table details all of the company's assets held under service concession arrangements, classified by asset type:

	Intangible assets (Note 5)	Financial assets Non-current	Short-term financial asset	Total
2023	97,402	28,240	2,619	128,261
2022	98,999	30,098	2,619	131,716

The following is a list of the most significant service concession contracts held by the Company:

a) Intangible Assets

- El Campello municipal solid wastes treatment plant (Environmental Services).

Construction and operation of the Integral Municipal Solid Waste Treatment Centre in El Campello (Alicante). It was awarded to the company in 2003 by the Plan Zonal XV Consortium of the Valencian Community, and the construction phase ended in November 2008, at which point the initially 20-year operating phase began and was subsequently extended to 21 years and 9 months. The net assets related to this contract amount to 45,072 thousand euros (49,280 thousand euros as at December 31st, 2022).

- Municipal solid waste treatment plant in the province of Granada (Environmental Services).

Operation and improvements for the management of the public municipal waste treatment service in the province of Granada, as awarded by the Provincial Council of Granada in May 2015 and running until May 2040. The net assets related to this contract amount to 28,047 thousand euros (December 31st, 2022: 29,174 thousand euros).

Both assets are classified as intangible as invoicing is based on the metric tons processed and, therefore, demand risk falls on the concessionaire.

b) Financial assets

- Municipal solid waste treatment plant in Manises (Valencia). (Environmental Services).

Awarded by the Metropolitan Waste Treatment Entity to the JV Gestión Instalación III (34.99% owned by FCC Medio Ambiente, S.A.U.) for the construction and operation of the municipal solid waste management system in certain areas in the province of Valencia. It was awarded in 2005 for an initial period of 20 years from the start-up of the plant in December 2012. Due to an amendment to the contract, the aforementioned concession was transferred to a financial asset in 2013. The assets related to this contract amount to 17,255 thousand euros (December 31st, 2022: 18,717 thousand euros). The collection is obtained as a result of a fixed amount plus a variable amount per tonne treated, this second component being waste, and in addition the cost of construction services is

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substantially covered by a fixed payment, reasons that justify the whole of the concession being considered as a financial asset.

9. LONG-TERM AND SHORT-TERM FINANCIAL INVESTMENTS

a) Long-term financial investments

The balance for “Long-term financial investments” at 2023 and 2022 year-end is as follows:

	Equity instruments (Note 13)	Loans to third parties	Other financial assets	Total
2023				
Financial assets at amortised cost	—	2,240	5,327	7,567
Assets at fair value with changes in equity	9,187	—	39	9,226
	9,187	2,240	5,366	16,793
2022				
Financial assets at amortised cost	—	2,213	5,330	7,543
Assets at fair value with changes in equity	10,639	—	80	10,719
	10,639	2,213	5,410	18,262

Financial assets at amortised cost

The breakdown of maturities in 2023 is as follows:

	2024	2025	2026	2027	2028 and beyond	Total
Financial assets at amortised cost	426	46	86	48	6,961	7,567

This includes guarantees and deposits for legal or contractual obligations when carrying on the company's activity and loans to public entities to finance investments and are collected through a specific fee or charge.

The detail by maturities in 2022 was as follows:

	2023	2024	2025	2026	2027 and beyond	Total
Financial assets at amortized cost	321	47	57	81	7,037	7,543

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Assets at fair value with changes in equity

The breakdown of these assets is as follows:

	Shareholding	Fair value
<u>2023</u>		
Vertederos de Residuos, S.A.	16.03%	9,187
Other		39
		9,226
<u>2022</u>		
Vertederos de Residuos, S.A.	16.03%	10,639
Other		80
		10,719

b) Current financial assets

The amount shown under this heading relates mainly to guarantees and deposits as well as loans to public entities amounting to 14,456 thousand euros (December 31st, 2022: 11,410 thousand euros).

10. INVESTMENTS AND PAYABLES TO GROUP AND ASSOCIATED COMPANIES

a) Long-term investments in Group and associated companies

The detail of the non-current investments in group companies and associates at December 31st, 2023 and 2022 is as follows:

	Cost	Accumulated impairment	Total
<u>2023</u>			
Equity instruments in Group companies	97,601	(18,109)	79,492
Equity instruments of associates	33,107	(5,533)	27,574
Loans to Group companies	70,240	-	70,240
Loans to associates	813	(813)	-
	201,761	(24,455)	177,306
<u>2022</u>			
Equity instruments in Group companies	97,316	(20,617)	76,699
Equity instruments of associates	34,716	(5,694)	29,022
Loans to Group companies	67,151	-	67,151
Loans to associates	813	(813)	-
	199,996	(27,124)	172,872

The breakdown of the changes in these headings is as follows:

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	Equity instruments of Group companies	Equity instruments of associates	Loans to Group companies	Loans to associates	Impairment	Total
Balance at 31.12.21	99,882	34,716	66,141	813	(29,338)	172,214
Additions or allocations	1	—	1,304	—	(292)	1,013
Disposals and reversals	(2,567)	—	—	—	2,212	(355)
Transfers	—	—	(294)	—	294	—
Balance at 31.12.22	97,316	34,716	67,151	813	(27,124)	172,872
Additions or allocations	285	—	3,008	—	(36)	3,257
Disposals and reversals	—	(1,609)	—	—	2,705	1,096
Transfers	—	—	81	—	—	81
Balance at 31.12.23	97,601	33,107	70,240	813	(24,455)	177,306

In 2023, the most noteworthy entries in equity instruments were the contributions from shareholders totalling 285 thousand euros at Serveis Municipals de Neteja de Girona, S.A., while the most noteworthy derecognition the company Servicios Urbanos de Málaga, S.A., for a total of 1,609 thousand euros.

In 2022, the most notable occurrences around equity-instrument disposals included the merger of Aparcamientos Concertados, S.A. and Castellana de Servicios S.A., which contributed 2,506 thousand euros and 61 thousand euros, and the sale of Servicios de Levante S.A. shares to Servicios especiales de Limpieza, S.A.

In loans to Group companies, the additions relate mainly to funding for the development of new projects for FCC Environment Portugal, S.A. 2,433 thousand euros and the capitalization of interest as established in the various contracts, includes 923 thousand euros with its parent company FCC Servicios Medio Ambiente Holding S.A. in 2023 (898 thousand euros in 2022).

Non-current loans to Group companies

The most significant balances are as follows:

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	2023	2022
Sistemas y Vehículos de Alta Tecnología, S.A.	6,222	6,222
Limpiezas Urbanas Mallorca, S.A.	1,996	1,947
Geneus Canarias, S.L.	4,326	4,326
Alfonso Benitez S.A.	2,450	2,385
Servicios Especiales de Limpieza,S.A	4,932	4,802
Gandía Serveis Urbans, S.A.	6,499	6,868
Sercovira, S.A.	1,559	1,583
Gipuzkoa Ingurumena BI, S.A.	2,412	2,857
FCC Servicios Medio Ambiente Holding, S.A.U.	34,680	33,757
FCC Environment Portugal, S.A.	2,433	530
Other	2,731	1,874
	70,240	67,151

Impairment

A breakdown of the main changes to have occurred in 2023 is set out below:

- Impairment of the stake in Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A. amounting to 23 thousand euros. The impairment has been calculated as the difference between the value that this stake has in the books of FCC Medio Ambiente, S.A.U. and its recoverable value.
- Reversal of the impairment of the stakes held in Jaime Franquesa, S.A. (1,692 thousand euros), Serveis Municipals de Neteja de Girona, S.A. (689 thousand euros), Sercovira, S.A. (141 thousand euros), and Gestión Integral de Residuos Sólidos S.A. (183 thousand euros); the impairment has been calculated as the difference between the value of those stakes in the books of FCC Medio Ambiente, S.A.U. and their recoverable value.

A breakdown of the main changes to have occurred in 2022 is set out below:

- Impairment of the investment in Societat Municipal Mediambiental D'Igualada, S.L. amounting to 476 thousand euros. The impairment has been calculated as the difference between the value that this investment has in the books of FCC Medio Ambiente, S.A.U. and its recoverable value.
- The reversal of the impairment of the stakes held in Jaime Franquesa S.A. and in Jaime Franquesa S.A. amounting to 524 and 22 thousand euros, respectively, was calculated as the difference between the value of these stakes in the books of FCC Medio Ambiente, S.A.U. and their recoverable value.
- Outflow of impairment amounting to 1,666 thousand euros in the merger of Aparcamientos Concertados, S.A.

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b) Current investments in Group companies and associates

This section includes mainly the loans and other non-trade credits granted to Group and associated companies, 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 a total of 1,353 thousand euros generated by tax effects with the subsidiaries in the tax consolidation group (2,766 thousand euros at year-end 2022).

The most significant balances in this item are as follows:

	2023	2022
Ecoparque Mancomunidad del Este S.A.	55,727	58,928
Sistemas y Vehículos de Alta Tecnología, S.A.	18,297	15,691
Corporación Inmobiliaria Ibérica, S.A.	54	76
Servicios Especiales de Limpieza, S.A.	90	150
Limpieza e Higiene de Cartagena, S.A.	1,433	1,120
Sercovira, S.A	382	36
FCC Equal Andalucía, S.L.	6,085	5,997
Other	9,273	9,981
	91,341	91,979

On December 30th, 2019, a contract for the provision of cash centralisation services ("Cash Pooling") was signed between FCC Servicios Medio Ambiente Holding, S.A.U. and FCC Medio Ambiente S.A.U., as a first-level company, and including second-level subsidiaries with 99% control, thus optimising cash requirements and surpluses. The agreement runs for an indefinite and the applicable initial interest rate in 2023 is 0.3% for debit balances and 4,2% for credit balances.

The balance with FCC Servicios Medio Ambiente Holding, S.A.U. as at December 2023 is a payable amounting to 148,808 thousand euros (December 2022: 87,762 thousand euros).

c) Long-term payables to Group and associated companies

In 2019, the company's debt instruments held with Fomento de Construcciones y Contratas, S.A. were assigned to FCC Servicios Medio Ambiente Holding S.A.U., whereupon it then became the ultimate debtor. This debt amounted to 136,682 thousand euros with an indefinite maturity, with the applicable interest rate being 2.38% in 2019. On 24th June, the debt was novated, thus modifying the interest rate to 2.7% per annum, which can be capitalised, and will mature in December 2024, subject to a five-year extension option. In 2023, interest of 7,916 thousand euros was capitalised (December 31st, 2022: 3,803 thousand euros), leaving a payable balance of 152,564 thousand euros as at December 31st, 2023 (December 31st, 2022: 144,648 thousand euros).

The loan received from Tirme S.A. on December 31st, 2021, for 5,000 thousand euros at a fixed rate of 1%, payable annually at the end of the year and automatically renewable without limitation, is also noteworthy. In 2022 the principal increased to 10,000 thousand euros. During fiscal year 2023, a loan is received from Mac Insular, S.L. which at the end of the year amounts to 2,200 thousand euros.

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d) Current payables to Group and associated companies

Payables to Group companies and associates include the loans received by the company, including the cash pooling agreement, which are remunerated at market prices, and the debts for trading operations with these companies, and also include the balances of 8,840 thousand euros generated by the tax effect with the subsidiaries of the consolidated tax group (December 31st, 2022: 14,869 thousand euros).

The most significant balances on the liabilities side of the accompanying balance sheet are as follows:

	2023	2022
Servicios Especiales de Limpieza, S.A.	1,909	6,238
Valorización y tratamiento de residuos, S.A.	7,523	4,325
Geneus Canarias	5,998	5,942
FCC Servicios Medio Ambiente Holding, S.A.U.	148,808	87,761
Sistemas y Vehículos de Alta Tecnología ,S.A.	2,888	1,896
FCC Ambito S.A.U.	24,476	6,373
Other	7,942	5,982
	199,544	118,517

The balance with FCC Servicios Medio Ambiente Holding, S.A.U. includes 8,723 thousand euros (2022: 14,795 thousand euros), as the balance generated by the tax effect with the consolidated tax group.

At December 31st, 2023, financial income at Group companies and associates amounted to 5,841 thousand euros (December 31st, 2022: 4,135 thousand euros).

11. TRADE RECEIVABLES FOR SALES AND SERVICES

The breakdown of this heading in the accompanying balance sheet includes the value of the company's sales and services.

	2023	2022
Outstanding Invoiced Production	370,559	333,728
Production not yet invoiced	217,151	182,178
Trade receivables for sales and services	587,710	515,906
Customer advances	(5,024)	(10,393)
Total net customer balance	582,686	505,513

The amount set out above corresponds to the net balance of trade receivables, net of the "Customer advances" included under "Other payables" on the liabilities side of the accompanying balance sheet, which includes, in accordance with accounting regulations, amounts invoiced in advance for various items, whether or not they have been collected, and the prepayments received, typically in cash. The increase in the balance between the business years is mainly due to the "Production not yet invoiced".

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The balances of trade receivables are mainly with local governments and public bodies for the performance of municipal sanitation activity. There are no differences between the carrying amounts and the fair values in trade receivables for sales and services.

The "Outstanding invoiced production" heading includes the amount for invoices issued to customers for services performed and pending collection at the balance sheet date.

The "Production not yet invoiced" heading includes the difference between the production recognised by the company for each contract and the invoices sent to customers. This amount relates basically to the estimate of work carried out that has been invoiced monthly in arrears for 111,112 thousand euros (98,774 thousand euros in 2022) and price revisions under the terms of the various contracts pending approval, which the company considers likely to be accepted in order to invoice in due time, and for services performed that have not yet been invoiced, amounting to 76,819 thousand euros (48,339 thousand euros in 2022).

The Company has the capacity to finance itself in the event of working capital requirements by assigning trade receivables to financial institutions, without the possibility of recourse against FCC Medio Ambiente, S.A.U. in the event of non-payment, and the assignments have a maximum limit of 115,000 thousand euros. The amount deducted from the customer receivables balance at year-end was 3,663 thousand euros (1,141 thousand euros as at December 31st, 2022). These credit transfer agreements are held with CaixaBank, Sabadell and BBVA. These transactions accrue interest on an arm's length basis, and the concessionaire assumes the insolvency and late payment risk of the debtor.

Of the total net trade receivables balance, 97,185 thousand euros (85,999 thousand euros as at December 31st, 2022) relate to balances arising from arrangements operated jointly through joint ventures.

Likewise, of the total amount not yet invoiced, 25,878 thousand euros correspond to amounts arising from contracts operated jointly through JVs (21,774 thousand euros in 2022).

Loans for commercial operations in arrears and not provisioned in the company amounted to 209,689 thousand euros (December 31st, 2022: 187,269 thousand euros). They constitute the total assets in arrears in the company, as there are no significant financial credits in arrears. All the balances that are overdue and have not been paid by the counterparty are considered to be in default. However, it should be borne in mind that although certain assets are in default, there is no risk of default, as most are public customers where only delays in collection can occur, and they are entitled to claim the corresponding delay payment surcharges. In general, except in specific cases of debts to certain Spanish local authorities, there are no significant balances that are more than one year old and have not suffered impairment.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative liabilities included in "Other financial liabilities" under "Long-term and short-term payables" in the accompanying balance sheet, and the impact on equity and the result thereof, are as follows:

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	Fair value Assets	Impact on equity (Note 13)
<u>2023</u>		
Hedging derivatives	39	29
<u>2022</u>		
Hedging derivatives	80	60

The main characteristics of the derivative are as follows:

Hedged transaction	Type of derivative	Amount arranged	Maturity	Fair value of the asset	Impact on equity
Other payables	IRS	7,997	02/04/2024	39	29
Total					

In addition, the maturity of the notional amount for the hedges contracted at year-end is detailed.

	Notional maturity			
	2024	2025	2026	2027
IRS (Other payables)	7,997	-	-	-

13. EQUITY

On October 1st, 2019, the public deed for the spin-off of the activities of Fomento de Construcciones y Contratas, S.A. was registered at the Barcelona Mercantile Registry (Note 1), through which the capital increase by 1,119,300 shares with a par value of 6.01 euros and a share premium of 418.62 euros was formalised. The transaction therefore entailed a capital increase of 6,727 thousand euros and an increase in the share premium of 468,564 thousand euros.

The following table shows the equity of FCC Medio Ambiente S.A.U. as at December 31st, 2023 and 2022:

	2023	2022
Capital	50,000	50,000
Share premium	468,564	468,564
Legal reserve	10,000	10,000
Other reserves	310,580	217,651
Profit/(loss) for the year	102,239	92,929
Total shareholders' equity	941,383	839,144

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a) Capital

Following the capital increase already described, the capital of FCC Medio Ambiente S.A.U. is represented by 8,319,300 ordinary shares, represented by a book entry system, with a nominal value of 6.01 euros each.

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

In 2019, Fomento de Construcciones y Contratas, S.A. and Per Gestora, S.L. sold all the company's shares (8,245,757 shares and 73,543 shares, respectively) to FCC Servicios Medio Ambiente Holding S.A. under a sale contract dated October 25th, 2019, which became the company's Sole Shareholder.

b) Share Premium

The Spanish Corporate Enterprises Act, as amended, expressly permits the use of the issue premium account balance to increase capital and does not establish any specific restrictions as to its use for other purposes.

c) Reserves

The breakdown for this heading for the 2023 and 2022 business years is as follows:

	2023	2022
Legal reserve	10,000	10,000
Other reserves	310,580	217,651
	320,580	227,651

In accordance with the Spanish Corporate Enterprises Act, as amended, 10% of the 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 share capital. The legal reserve cannot be distributed to shareholders except in the event of liquidation.

The legal reserve may be used to increase capital by an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

In 2022, the merger by absorption of Aparcamientos Concertados, S.A. y Castellana de Servicios S.A. took place. As a result, an impact on reserves of 519 thousand and 1,306 thousand euros, respectively, was revealed. (Note 1).

d) Valuation adjustments

This heading is broken down by item as follows:

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	2023	2022
Assets at fair value with changes in equity (Note 9)	8,080	9,532
Hedging transactions (Note 12)	29	60
	8,109	9,592

e) Subsidies

The changes in non-repayable grants related to assets were as follows:

	Balance at the beginning of the year	Transfers to the income statement, net of tax effect	Balance at the end of the year
2023	518	(63)	455
2022	581	(63)	518

14. PROVISIONS

The changes in the business year were as follows:

Non-current provisions

	Procedures related to infrastructure	Environmental Actions	Contractual and legal guarantees and obligations	Other	Total
Balance at 31.12.21	38,114	2,373	27,311	386	68,184
Provisions	970	372	15,655	860	17,857
Applications	(3,506)	(89)	(1,652)	—	(5,247)
Reversals	—	(1,921)	(6,259)	(243)	(8,423)
Other	10,671	—	—	—	10,671
Balance at 31.12.22	46,249	735	35,055	1,003	83,042
Provisions	846	275	11,843	360	13,324
Applications	(2,909)	(225)	(824)	—	(3,958)
Reversals	—	(71)	(7,811)	(846)	(8,728)
Other	389	—	290	—	679
Balance at 31.12.23	44,575	714	38,553	517	84,359

In relation to infrastructure, the work yet to be completed at December 31st, 2022 for a total of 10,470 thousand and relating to fixed assets at the Granada and Campello plants (Note 5) was updated to 2022 prices.

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Short-term provisions

	Contractual and legal guarantees and obligations	Other	Total
Balance at 31.12.21	2,190	1,097	3,287
Provisions	1,306	929	2,235
Applications	—	(832)	(832)
Reversals	(1,613)	(124)	(1,737)
Balance at 31.12.22	1,883	1,070	2,953
Provisions	764	994	1,758
Applications	—	(972)	(972)
Reversals	(720)	(112)	(832)
Balance at 31.12.23	1,927	980	2,907

Provisions for actions relating to infrastructure

Within the scope of service concession agreements, these provisions include the actions required to restore the infrastructure at the end of the concession period, including dismantling, removal or rehabilitation of the infrastructure, replacements and major repairs, as well as actions to improve and expand capacity. Meanwhile, provisions to replace and repair the infrastructure are systematically recognised in the profit or loss as the obligation is incurred (Note 4.a).

Provision for environmental actions

These are provisions made for legal, contractual or implicit obligations or commitments acquired by the company, of an undetermined amount, in order to prevent or repair damage to the environment.

Provisions for guarantees and contractual and legal obligations

This heading includes the provisions to cover the expenses arising from non-environmental contractual and legal obligations.

Other provisions

This heading includes the items not classified in the accounts set out above, such as provisions to cover environmental risks and risks arising from its procedures as the insurer itself.

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15. LONG-TERM AND SHORT-TERM PAYABLES

The balance of “Long-term payables” and “Short-term payables” is as follows:

	Non-current	Current
<u>2023</u>		
Bank borrowings	48,054	94,731
Finance lease payables	1,333	1,177
Other financial liabilities	7,926	33,520
	57,313	129,428
<u>2022</u>		
Bank borrowings	9,778	50,657
Finance lease payables	2,514	2,911
Other financial liabilities	5,639	22,891
	17,931	76,459

Within other short-term financial liabilities, the key aspect to highlight is the contribution of suppliers of fixed and non-current assets with a balance in the business year of 31,008 thousand euros (19,502 thousand euros in 2022)

The breakdown of the “Long-term payables” by maturity is as follows:

	Due date					Total
	2025	2026	2027	2028	2029 and beyond	
Bank borrowings	1,987	17,556	26,756	1,755	—	48,054
Finance lease payables	28	97	1,208	—	—	1,333
Other financial liabilities	1,324	343	96	2,289	3,874	7,926
	3,339	17,996	28,060	4,044	3,874	57,313

Non-current bank borrowings

The balance of non-current debts recognised by the Company at December 31st, 2023 corresponds to two long-term contracts with a combined limit of 55,000 thousand euros, of which 40,043 thousand euros had been drawn down. Also noteworthy is the balance of 8,014 thousand euros contributed through project financing from the JV Gestión Instalación III.

Two long-term bilateral loans were signed in December 2023 for a total of 150,000 thousand euros, both undrawn at year-end. These loans are referenced to the three-month Euribor plus a spread of 1.05 points and have an interest-only period of between three and six months.

Non-current bank borrowings

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The company has taken out a number of short-term policies, as set out in the attached table

Entity	Limit	Drawdown	Due date
CaixaBank	80,000	61,609	30/11/2024
Banco Bilbao Vizcaya	35,000	-	25/11/2024
Banco Santander	60,000	-	04/01/2024
Banco Sabadell	25,000	23,196	06/05/2024
Ibercaja	15,000	7,515	01/12/2024
TOTAL	215,000	92,320	

These credit facilities are referenced to the monthly or quarterly Euribor plus a spread of between 0.4 and 0.7 percentage points.

16. TRADE PAYABLES

In relation to the Spanish Accounting and Audit Institute (ICAC) Resolution dated January 29th, 2016, enacted in compliance with the Second final provision of Law 31/2014, of December 3, 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. December 24th, 2014:

	2023	2022
	Days	Days
Average payment period to suppliers	58	68
Ratio of paid operations/transactions	58	68
Ratio of operations/transactions pending payment	60	63
	Amount (thousands €)	Amount (thousands €)
Total payments outstanding	44,633	76,112
Total payments made	496,865	407,288
Total payments made in a period less than the maximum established in the late-payment regulations	288,739	176,987
	Ratio %	Ratio %
	58%	43%
	Number	Number
Total number of invoices paid during the period	212,622	172,350
Number of invoices paid in a period less than the maximum established in the late-payment regulations	96,983	51,818
	Ratio %	Ratio %
	46%	30%

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17. INFORMATION ON THE NATURE AND RISK OF THE FINANCIAL INSTRUMENTS

The Company's financial risk management is channelled through FCC Group's Finance Department, which has the necessary mechanisms in place to control exposure to changes in interest rates and exchange rates, as well as to credit and cash flow risks.

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 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.

The company has no significant credit risk. The bank balances are deposited in banks and financial institutions of recognised prestige and solvency. The loans to Group companies relate to the loans granted to FCC Group companies.

The company does not hold credit insurance contracts that guarantee the credit risk of receivables. Notwithstanding the above, it should be pointed out that the company's customers belong to the public sector and therefore do not present a risk of insolvency.

b) Interest rate risk

As the company does not have significant interest-bearing assets, the revenues and cash flows from its operating activities are fairly immune to changes in market interest rates. The company's interest rate risk arises from long-term borrowings on the loans that it has taken out (see Notes 10 and 15).

The company's borrowings are issued at variable rates and, therefore, expose the company to cash flow interest rate risk, even though, given that they affect Euribor, this risk is not deemed to be significant.

c) Solvency risk

The most representative ratio to measure the solvency and debt repayment capacity is attached is a breakdown of Net Debt:

	2023	2022
Bank borrowings	142,785	60,435
Financial payables to Group companies and associates	365,553	273,320
Other interest-bearing financial debt	43,956	33,955
Financial loans with Group companies and associates	(161,581)	(168,899)
Other current financial assets	(14,456)	(11,410)
Treasury and cash equivalents	(115,971)	(87,596)
Non-current financial assets	(28,240)	(30,098)
	232,046	69,707

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Financial payables and loans with Group and associated companies are disclosed in Note 10.

d) Liquidity risk

Liquidity risk arises from the possibility that the company may not be able to avail of, or have access to, liquid funds for a sufficient amount and at a suitable cost to meet its payment obligations at all times.

This risk is caused by temporary mismatches between the funds generated by the activity and funds need to pay debts, working capital, etc. At the end of the year, the company's working capital was positive, at 344,925 thousand euros, which, together with the Company's ability to generate funds, meant that there was no significant liquidity risk.

In terms of liquidity, the Company maintains current cash-pooling accounts with its parent company, ensuring a comfortable financial position against possible liquidity tensions.

e) Concentration risk

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

- Financing sources: in order to diversify this risk, the company and FCC Group work with a large number of Spanish and foreign financial entities in order to obtain funds.
- Markets/geography (domestic, foreign): The company basically operates in the Spanish market; accordingly, its debt is mainly concentrated in euros.
- 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.

f) Credit risk

The provision of services or the acceptance of customer engagements, whose financial solvency was not guaranteed at the acceptance date, situations not known or unable to be assessed and unforeseen circumstances arising during the provision of the service or the execution of the engagement that could affect the customer'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 customers 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 customers, the Group does not accept commitments that do not have an assigned budget and financial approval. Offers that exceed a specific payment period must be authorised by the Finance Division. Likewise, on-going monitoring is performed on late payments in various management committees. For credit ratings, the company applies its best judgement to impair financial assets

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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.

As a result of all of the above and taking into account the limited impact, the measures taken to guarantee the assets and the existing liquidity gaps, the company prepared the financial statements under the going concern principle, as the continuity of the company is not in doubt.

18. DEFERRED TAXES AND TAX SITUATION

a) Balances with public administrations and deferred taxes

The breakdown of the balances of the public administrations heading on the asset and liability sides of the balance sheet is as follows:

Receivables:	2023		2022	
	Current	Non-current	Current	Non-current
Deferred tax assets	-	23,948	-	11,892
Other receivables	11,647	—	10,165	—
- Value Added Tax receivable	3,542	—	3,713	—
- Other items	8,105	—	6,452	—
	11,647	23,948	10,165	11,892

Payables:	2023		2022	
	Current	Non-current	Current	Non-current
Deferred tax liabilities	—	11,546	-	10,545
Other payables	75,639	—	68,319	—
- Withholdings	13,651	—	13,570	—
- VAT and other indirect taxes	14,041	—	19,253	—
- Social Security items payable	27,253	—	25,201	—
- Other items	20,694	—	10,295	—
	75,639	11,546	68,319	10,545

Deferred tax assets have been recognised in the balance sheet because the Company's directors believe that, based on the best estimate of the Company's future profit or loss, it is probable that these assets will be recovered.

Pursuant to File 18/89, the Parent Company of the FCC Group is subject to the consolidated corporate income tax regime, which includes all the companies that meet the requirements prescribed by applicable tax legislation and of which FCC Medio Ambiente, S.A.U. forms part.

The management of Fomento de Construcciones y Contratas, S.A., the parent of 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

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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 2024-2026 period. Turnover growth of 10.4% in 2024, 1.5% in 2025 and 2.9% in 2026 is assumed. In turn, the projected Ebitda margin is 11% for 2024 and 12% for 2025 and 2026. 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 in its financial statements all tax credits not capitalised in previous years, which include both deductions pending application and temporary differences, the deductibility of which will be determined in subsequent years. As a result, a total of 8,658 thousand was capitalised in 2023.

The composition of said deductions and other activated deferrals is as follows:

	Amount
Deductions pending application (Note 18.d)	3,310
Provisions	2,992
Amortization Differences	1,674
Other	682
Total	8,658

The movement of deferred tax assets during the years 2023 and 2022 is as follows:

	Deferred tax assets
<i>Taxable temporary differences</i>	
Balance at 31.12.2021	11,188
Originating in the year	3,982
Other adjustments	(3,278)
Balance at 31.12.2022	11,892
Originating in the year	(2,277)
Originating in previous years	2,549
Other adjustments	3,126
Capitalisation of tax credits from previous years	8,658
Total balance at 31.12.2023	23,948

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b) Reconciliation of accounting profit and taxable income

The reconciliation between accounting profit and the taxable income for corporate tax purposes is as follows in 2023:

Pre-tax accounting profit/loss for 2023			112,477
	<u>Additions</u>	<u>Reductions</u>	
Permanent differences	1,309	(26,069)	(24,760)
Temporary differences treated as permanent	—	(2,705)	(2,705)
Adjusted accounting profit/(loss)			85,012
Temporary differences			
-Arising in the year	23,892	(33,001)	(9,109)
-Arising in prior years	28,889	(18,695)	10,194
Tax base (taxable profit/(loss))			86,097

The permanent differences correspond to non-deductible expenses and the exemption for double taxation for dividends received from companies in accordance with the provisions of art.21.2 TRLIS. The increases mainly include changes in portfolio impairment and reversals of credit recorded during the year.

Temporary differences treated as permanent include mainly provision changes.

Temporary differences are basically due to the results of the JVs and their different accounting and tax treatment. In this area, the joint ventures in which the company holds stakes are subject to the tax transparency system and, therefore, allocate to their partner companies, in the business year in which they are approved, the tax bases, withholdings and deductions.

The amount of withholdings and prepayments made in 2023 amounted to 12,749 thousand euros. The net payable to the FCC Group in corporate tax from FCC Medio Ambiente amounts to 8,723 thousand euros, which is recorded under the heading "Short-term payables with Group and associated companies" (see Note 10.d)

The breakdown of and changes in deferred taxes in 2023 are as follows:

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Deferred income tax asset	Balance 31/12/2022	Additions	Reductions	Balance 31/12/2023
From provisions	4,300	5,548	(2,065)	7,783
For depreciation and amortisation	3,370	1,776	(54)	5,092
From JV offset	3,944	3,342	(2,616)	4,670
For other items	278	6,125	0	6,403
Total.....	11,892	16,791	(4,735)	23,948

Deferred income tax Liability	Balance 31/12/2022	Additions	Reductions	Balance 31/12/2023
For elements in finance leases	4,088	1,125	(2,250)	2,963
For depreciation and amortisation	113	2,955	(1,511)	1,557
For JV offset	6,262	6,030	(5,334)	6,958
For other items	82	-	(14)	68
Total.....	10,545	10,110	(9,109)	11,546

The reconciliation between accounting profit and the taxable income for corporate tax purposes is as follows in 2022:

Pre-tax accounting profit/loss for 2022			114,703
	<u>Additions</u>	<u>Reductions</u>	
Permanent differences	1,144	(21,987)	(20,843)
Temporary differences treated as permanent	-	(3,354)	(3,354)
Adjusted accounting profit/(loss)			90,506
Temporary differences	16,324	(24,448)	(8,124)
-Arising in the business year	28,717	(12,789)	15,928
-Arising in prior business years			
Tax base (taxable profit/(loss))			98,310

Permanent differences relate to non-deductible expenses and the double tax exemption for dividends received from companies in accordance with Article 21(2) TRLIS. The increase mainly includes changes in the portfolio impairments and credit reversals recognised in the year

Temporary differences are basically due to the results of the JVs and their different accounting and tax treatment. In this area, the joint ventures in which the company holds stakes are subject

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to the tax transparency system and, therefore, allocate to their partner companies, in the business year in which they are approved, the tax bases, withholdings and deductions.

The amount of withholdings and prepayments in 2022 stood at 11,890 thousand euros. The net amount payable to the FCC Group for corporate tax from FCC Medio Ambiente was 14,795 thousand euros (see Note 10.d).

The breakdown of and changes in deferred taxes in 2022 were as follows:

Deferred income tax asset	Balance 31/12/2021	Additions	Reductions	Balance 31/12/2022
From provisions	3,498	1,311	(509)	4,300
For depreciation and amortisation	2,934	500	(64)	3,370
From JV offset	3,961	2,607	(2,624)	3,944
For other items	703	-	(425)	278
Total.....	11,096	4,418	(3,622)	11,892

Deferred income tax liability	Balance 31/12/2021	Additions	Reductions	Balance 31/12/2022
For items in finance leases	5,053	1,124	(2,089)	4,088
For depreciation and amortisation	688	227	(802)	113
For JV offset	5,750	6,624	(6,112)	6,262
For other items	-	82	-	82
Total.....	11,491	8,057	(9,003)	10,545

c) Reconciliation of accounting profit to the income tax expense.

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

	2023	2022
Adjusted accounting profit/(loss)	85,012	90,506
Corporate tax payment (25%)	21,253	22,627
Deductions and discounts for the year	(924)	(463)
Previous year adjustments	(1,433)	(389)
Capitalisation of deferred tax assets from previous years	(8,658)	-
Corporate tax expense	10,238	21,775

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The prior year adjustments mainly stem from permanent differences for joint ventures in 2023 and 2022.

d) Tax loss carryforwards and unused tax credits

The Company files its taxes as part of Consolidated Group 18/89 (FCC Group). On the other hand, the Company only proceeds to activate the tax credit generated by negative results or deductions pending application to the extent that their recoverability is guaranteed. Based on expectations as to recoverability discussed in section (a) of this note, the Company has capitalised the unused tax losses and unused deductions, which, calculated at the tax rate applicable at that date, total 3,310 thousand euros at December 31st, 2022.

The breakdown of deductions pending application from previous years per year is as follows:

	Instalment Amount
2013	3
2015	99
2016	33
2018	2
2019	1,063
2020	1,721
2021	389
Total	3,310

Unused deductions from previous years, by item and application period, are as follows:

Deductions	Amount	Period for use
Job creation for people with disabilities	2,188	15 years
Technological innovation	392	18 years
Research and Development	599	18 years
Other	131	-
Total	3,310	

e) Business years open for review and tax audits

The company is open to inspection of all applicable taxes for the business years for which the statute of limitations has not expired. Therefore, for corporation tax purposes, the company is open to inspection for the last four years from the date on which the relevant tax return was successfully filed. However, this limitation period is extended from four to ten years in relation to the application of tax losses and/or tax credits. From the criteria that the tax authorities may adopt in interpreting the tax rules, the results of current inspections or those that may be carried out in the future for the business years open for inspection could give rise to contingent tax liabilities and the amount of which cannot be objectively measured at present. However, the company's directors believe that the resulting liabilities would not have a material effect on the company's equity.

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In order to comply with the legal requirements regarding transfer prices, the company has established the necessary procedures to justify them and there are thought to be no significant risks from which contingent liabilities may arise.

19. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

As at December 31st, 2023, FCC Medio Ambiente, S.A.U. had provided guarantees to public bodies and private customers, mainly to guarantee the proper performance of municipal cleaning service contracts, amounting to 567,364 thousand euros (635,952 thousand euros in 2022). Also, at year-end, the company had provided securities and guarantees to third parties for some of the Group's companies, totalling 233,321 thousand euros, mainly companies belonging to the Environmental Services division (234,575 thousand euros in 2022).

FCC Medio Ambiente, S.A.U., together with another FCC Group company, is the personal guarantor of the bonds issued by FCC Servicios Medio Ambiente Holding, S.A. on December 4, 2019, for a total of 500,000 thousand euros, and on 31 October 2023, for a total of 600,000 thousand euros.

On January 15, 2015, the Chamber of Competition of the National Commission on Markets and Competition handed down a ruling relating to proceedings S/0429/12, for an alleged infringement of Article 1 of Law 15/2007 on the Defence of Competition, which affects FCC Medio Ambiente, S.A.U. and other FCC Group companies. At the end of January 2018, the FCC Group filed an administrative appeal before the National Court, alleging that there was no single and ongoing infringement. 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 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. On March 22, 2023, a ruling was handed down by the CNMC's Competition Chamber agreeing to archive the disciplinary case. The Chamber ruled that it was no longer appropriate to continue with the proceedings and that the case should be archived, for the purposes of all parties.

The company's stake in joint operations managed through joint ventures, joint ownership, shareholding accounts and other similar arrangements means that participating partners share joint and several liability for the activities undertaken.

However, the company's directors consider that the resulting liabilities would not have a material effect on the company's equity.

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

20. INCOME AND EXPENSES

In addition to sales and services, net turnover includes dividends and accrued interest arising from finance extended to investees (Note 2).

The operating income from sales recorded in the profit and loss statement for the 2023 and 2022 business years corresponds almost entirely to municipal sanitation activities.

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The breakdown, by geographical market, of revenue and services provided from the company's ordinary activity is as follows:

AUTONOMOUS COMMUNITY	2023 amount	Percentage	2022 amount	Percentage
Andalusia	193,763	11.80%	177,138	11.57%
Aragon	87,998	5.36%	85,322	5.57%
Asturias	36,710	2.24%	33,059	2.16%
Balearic Islands	27,286	1.66%	23,861	1.56%
Valencian Community	205,045	12.49%	193,655	12.65%
Canary Islands	94,938	5.78%	87,020	5.68%
Cantabria	3,936	0.24%	4,018	0.26%
Castilla la Mancha	6,017	0.37%	6,273	0.41%
Castille and Leon	77,156	4.70%	68,325	4.46%
Catalonia	414,310	25.24%	386,140	25.22%
Extremadura	27,944	1.70%	24,224	1.58%
Galicia	65,324	3.98%	58,046	3.79%
La Rioja	13,984	0.85%	13,372	0.87%
Madrid	260,092	15.84%	241,830	15.80%
Murcia	15,442	0.94%	16,501	1.08%
Navarre	40,189	2.45%	38,107	2.49%
Basque Country	71,491	4.35%	74,016	4.83%
Total	1,641,625	100%	1,530,907	100%

The contribution to revenue in the business year from the contracts operated through joint ventures amounts to 306,198 thousand euros (254,044 thousand euros in 2022).

Dividends and accrued interest from financing granted to investees are as follows:

	2023	2022
Income from interests in Group companies and associates	20,027	14,849
Financial income from marketable securities and other financial instruments in Group companies and associates	5,841	4,135
Total	25,868	18,984

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The breakdown of income from shareholdings at the 2023 and 2022 year-end is as follows:

	2023	2022
Atlas Gestión Medioambiental, S.A.	2,708	2,671
Ebesa	3,863	1,402
Ecobp, S.L.	280	316
Ecodeal - Gestao Integ.Resid.Indust.S.A.	2,723	1,839
Gandía Serveis Urbans, S.A.	706	596
Limpieza e Higiene de Cartagena, S.A.	718	1,256
Tirme, S.A.	4,709	3,573
Tratam. Industr. de Residuos Sólidos, S.A.	2,910	1,010
Vytrusa	280	248
Seurmasa	0	1,250
Other	1,130	688
Total	20,027	14,849

The "Staff expenses" heading as at December 31, 2023 and 2022 is made up of the following headings:

	2023	2022
Wages and salaries	763,766	713,031
Labour costs	289,934	268,050
Provisions	1,370	835
Total	1,055,070	981,916

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21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Transactions with related parties

Details of transactions with related parties in 2023 and 2022 are as follows:

	Group companies	Joint ventures	Associates	Total
2023				
Provision of services	4,761	1,429	527	6,717
Dividends	5,144	10,174	4,709	20,027
Financial expenses	14,003	24	94	14,121
Financial income	5,841	—	—	5,841
2022				
Provision of services	6,683	2,185	171	9,039
Dividends	4,877	6,399	3,573	14,849
Financial expenses	10,060	5	90	10,155
Financial income	4,135	-	-	4,135

b) Balances with related parties

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

	Group companies	Joint ventures	Associates	Total
2023				
Current investments (Note 10)	90,797	544	—	91,341
Non-current investments (Note 10)	149,733	20,517	7,056	177,306
Current payables (Note 10)	198,544	1,000	—	199,544
Non-current payables (Note 10)	153,809	—	12,200	166,009
Trade receivables	44,080	1,543	3,038	48,661
Trade payables	8,192	2,566	97	10,855
2022				
Current investments (Note 10)	91,472	506	—	91,978
Non-current investments (Note 10)	143,850	22,151	6,871	172,872
Current payables (Note 10)	117,477	1,040	—	118,517
Non-current payables (Note 10)	144,803	—	10,000	154,803
Trade receivables	73,850	1,069	2,001	76,920
Trade payables	17,047	—	2,664	19,711

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

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Company	2023		2022	
	Receivables	Payable	Receivables	Payable
Tirme, S.A.	2,968	101	1,901	90
FCC Aqualia	173	99	245	119
FCC Ámbito	1,315	259	1,395	422
FCC, S.A.	8	1,972	14	11,053
FEDEMES, S.L.	28	305	48	300
FCC Servicios Medio Ambiente Holding, S.A.U.	—	1,086	—	—
Sistemas y Vehículos de Alta Tecnología, S.A.	653	979	64	791
FCC Environment Group (UK)	13,427	—	38,987	—
ABSA - M.A.	173	—	394	—
Servicios Especiales de Limpieza, S.A.	182	476	365	352
Limpieza e Higiene de Cartagena, S.A.	10,015	—	9,878	—
Corporación Inmobiliaria Ibérica S.A.	—	242	—	229
Sercovira, S.A.	2,577	28	2,197	129
FCC Equal Cee, S.L.	3	228	4	100
FCC Equal Cee Andalucía	13	571	63	326
Azincoourt Investment, S.L.	2,558	73	2,360	73
Gestió i Recuperació de Terrenys, S.A. Unipersonal	18	897	7	1,167
Gipuzkoa Ingurumena BI, S.A.	494	18	294	61
EBESA	309	—	118	—
Sermunegisa	53	3	4,011	—
Cementos Portland Valderrivas, S.A.	154	32	138	32
Emp.Mixta.Rincon de la Victoria, S.A.	390	—	390	—
Societat Municipal Medio Amb.Igualada	4,252	—	2,881	—
Other	8,898	3,486	11,166	4,467
	48,661	10,855	76,920	19,711

c) Transactions and contracts with the Sole Shareholder

In 2023, certain transactions with the Sole Shareholder for management support services took place, amounting to 972 thousand euros, and for financial transactions (Notes 10 and 13). Transactions with the Sole Shareholder in 2022 related to financial transactions (Notes 10 and 13).

Also, the contracts in force as at the current date with the Sole Shareholder have been explained in Note 10.

There have been no transactions with the Sole Shareholder other than the transactions outlined above.

d) Remuneration to the Board of Directors and Senior Management

The Senior Management functions are performed by the employees of FCC, S.A. who are remunerated. The premium for third-party liability insurance is recorded at FCC, S.A. and it should be noted that this parent company passes on management, administration and other service fees, a cost which is borne proportionally by each of its subsidiaries. The cost charged

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to the company in the 2023 and 2022 business years for these items is included under "Other operating expenses".

During the financial year, no remuneration, salaries or allowances were accrued by members of the Board of Directors, and no pension or life insurance obligations were incurred with them and no advances had been given to them.

The Board of Directors is made up of three men.

e) Duty of loyalty

At the end of the 2023 business year, neither the members of the company's Board of Directors nor the persons related to them as defined in the Spanish Corporate Enterprises Act have informed the other members of the Board of Directors of any conflict-of-interest situation.

22. INFORMATION ON THE ENVIRONMENT AND GREENHOUSE GAS EMISSION RIGHTS

As indicated in Note 1, the nature of the services provided by the company is geared towards the protection and conservation of the environment, not just through the production activity itself: waste collection, operation and control of landfills, sewer cleaning, treatment and disposal of industrial waste, wastewater treatment, etc., but also for the development of this activity through the use of production techniques and systems aimed at reducing environmental impact in accordance with the limits established by regulations.

The development of the production activity described above requires the use of buildings, plant and specialised machinery that are efficient in protecting and conserving the environment.

The contingencies relating to the protection and improvement of the environment held by the company as at December 31, 2023 and 2022 are not significant amounts and management believes that they would not have a significant impact on the accompanying financial statements, which include operating provisions to cater for general and extraordinary contingencies that might arise.

The company has not been assigned any greenhouse gas emission allowances.

23. OTHER INFORMATION

a) Personnel

The average number of people employed by the company in 2023 and 2022 was as follows:

	2023	2022
Executives and higher graduates	50	52
Technical specialists and middle graduates	1,550	1,561
Clerical and related	541	533
Remaining employees	28,179	27,309
	30,319	29,455

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The average number of people employed by the company with a certified disability greater than or equal to 33% in 2023 and 2022.

	2023	2022
Executives and higher graduates	-	-
Technical specialists and middle graduates	25	27
Clerical and related	8	10
Remaining employees	789	770
	822	807

The numbers of employees, directors and senior managers at the company as at December 31, 2023 and 2022, broken down by gender, were as follows:

	Men	Women	Total
<u>2023</u>			
Executives and higher graduates	41	7	48
Technical specialists and middle graduates	1,220	336	1,556
Clerical and related	157	389	546
Remaining employees	21,336	6,713	28,049
	22,754	7,444	30,198

	Men	Women	Total
<u>2022</u>			
Executives and higher graduates	46	6	52
Technical specialists and middle graduates	1,180	325	1,505
Administrative roles and similar	163	368	531
Other	20,976	6,785	27,761
	22,365	7,484	29,849

b) Remuneration to auditors

The following table shows the fees payable to the principal auditor, Ernst & Young, S.L. in 2023 and 2022 for the audit and non-audit services provided to the Company.

	2023			2022		
	Principal auditor	Other auditors	Total	Principal auditor	Other auditors	Total
Audit services	63	-	63	63	-	63
Other assurance services	-	15	15	-	21	21
Total audit and related services	63	15	78	63	21	84
Other services	-	-	-	-	-	-
Total professional services	-	-	-	-	-	-
TOTAL	63	15	78	63	21	84

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24. EVENTS AFTER THE REPORTING PERIOD

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.

25. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 1 and 25). In the event of a discrepancy, the Spanish-language version prevails.

GROUP COMPANIES
ANNEX I

Company	Carrying amount		Stake (%)	Dividend collected	Capital	Reserves	Other equity items	2023 business year profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
ALFONSO BENÍTEZ, S.A. Federico Salmón, 13 - Madrid - Urban Sanitation -	374	-	99.95%	-	114	12,773	-	1,815	2,162
ARMIGESA, S.A. Pza. constitución, s/n - Armilla (Granada) - Urban Sanitation -	612	-	51%	232	1,200	233	-	345	269
CORPORACIÓN INMOBILIARIA IBÉRICA, S.A. Balmes, 36 - Barcelona - Property rental -	6,442	-	100%	-	6,450	5,257	-	924	1,078
ECODEAL GESTAO INTEGRAL DE RESIDUOS INDUSTRIAIS, S.A. Eco-Parque do Relvao Pinhal do Duque - Carregueira - Portugal - Waste treatment -	1,341	-	53.62%	2,723	2,500	5,308	-	6,184	4,928
ECOGENESIS, S.A. Athens, Greece - Urban Sanitation -	61	(61)	51%	-	60	(68)	-	-	-
ECOPARQUE MANCOMUNIDAD DEL ESTE, S.A. Federico Salmón, 13 - Madrid - Waste treatment -	36,855	-	99.99%	-	16,805	38,753	-	8,253	3,712
EGYPT ENVIRONMENTAL SERVICES, S.A.E. Cairo - Egypt - Urban Sanitation -	80	(80)	dir. 1% indt. 1%	-	8,000	(1,785)	(6,039)	(193)	(150)
EMPRESA COMARCAL DE SERVEIS MEDIAMBIENTALS DEL BAIX PENEDES, S.L. Pl. Centre, 3 - EL Vendrell (Tarragona) - Urban Sanitation -	200	-	66.60%	280	540	469	-	622	453
FCC ENVIRONMENT PORTUGAL, S.A. Lisbon - Portugal - Urban Sanitation -	641	-	100%	-	611	4,686	-	(209)	(236)
FCC EQUAL CEE ANDALUCÍA, S.L. Avda Moliere, 36 - Edif. Cristal 9/1 P - Málaga - Social services -	3	-	100%	-	3	1,453	-	2,084	2,062



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GROUP COMPANIES

ANNEX I/2

Company	Carrying amount		Stake (%)	Dividend collected	Capital	Reserves	Other equity items	2023 business year profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
FCC EQUAL CEE BALEARES, S.L.U. Camino Fondo, 27 - Palma (Balearic Islands) - Social services -	3	-	100%	-	3	(1)	-	-	-
FCC EQUAL CEE CANARIAS, S.L.U. Ctra. de Guanarteme a Tamaraceite, Km. 5,1 – Las Palmas de G.C. - Social services -	3	-	100%	-	3	-	-	-	-
FCC EQUAL CEE COMUNIDAD VALENCIANA, S.L. Riu Magre, 6 - P.I. Patada del Cid - Quart de Poblet (Valencia) - Social services -	3	-	100%	-	3	1,446	-	528	925
FCC EQUAL CEE MURCIA, S.L. Luis Pasteur, 8 - Cartagena (Murcia) - Social services -	3	-	100%	-	3	-	-	-	-
FCC EQUAL CEE, S.L. Federico Salmón, 13 - Madrid - Social services -	3	-	100%	-	3	779	-	634	1,257
GANDÍA SERVEIS URBANS, S.A. Llanterners, 6 - Gandía (Valencia) - Urban Sanitation -	78	-	95%	706	120	1,882	-	1,508	889
GENEUS CANARIAS, S.L. Electricista, 2 - U.I. De Salinetas – Telde (Las Palmas) - Waste treatment -	2,707	-	100%	-	1,714	1,484	23	(368)	(478)
GIPUZKOA INGURUMENA BI, S.A. P.I. Zubiondo - Parc. A5 - Hernani (Guipúzcoa) - Urban Sanitation -	1,950	-	dir. 70% indt. 22%	-	3,250	1,685	1,002	2,035	780
GOLDRIB, SOL. VALORIZ. RESIDUOS, LDA Lisbon - Portugal - Waste treatment -	3	-	54%	205	5	15	-	332	249
JAIME FRANQUESA, S.A. P.I. Zona Franca Sector B Calle D 49 - Barcelona - Urban Sanitation -	18,515	(16,299)	100%	-	150	374	-	1,545	1,692

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GROUP COMPANIES
ANNEX I/3

Company	Carrying amount		Stake (%)	Dividend collected	Capital	Reserves	Other equity items	2023 business year profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
JAUME ORÓ, S.A. Av. del Bosc - P.Ind. Hostal Nou - Nave 1 - Bellpuig (Lleida) - Urban Sanitation -	1,014	-	99.09%	-	3	2,439	-	77	81
LIMPIEZA E HIGIENE DE CARTAGENA, S.A. Luis Pasteur, 6 - Cartagena (Murcia) - Urban Sanitation -	270	-	90%	718	301	60	-	1,058	344
LIMPIEZAS URBANAS DE MALLORCA, S.A. Crta. Can Picafort, s/n - Santa Margáida (Balearic Islands) - Urban Sanitation -	2,885	-	99.92%	-	308	2,463	-	424	314
SERCOVIRA, S.A. Doctor Jiménez Rueda, 10 - Atarfe (Granada) - Urban Sanitation -	1,334	(432)	60.00%	-	2,224	(873)	-	251	154
SERVEIS MUNICIPALS DE NETEJA DE GIRONA, S.A. Pl. Del Vi, 1 - Girona - Urban Sanitation -	1,736	(762)	75.00%	-	60	1,178	-	(54)	245
SERVICIOS ESPECIALES DE LIMPIEZA, S.A. Federico Salmón, 13 - Madrid - Urban Sanitation -	202	-	99.99%	-	114	8,238	-	2,108	1,672
SISTEMAS Y VEHÍCULOS DE ALTA TECNOLOGÍA, S.A. Federico Salmón, 13 - Madrid - Marketing of high-tech equipment -	8,274	-	99.99%	-	180	13,988	-	6,352	4,580
SOCIETAT MUNICIPAL MEDIAMBIENTAL D'IGUALADA, S.L. Pl. del l'Ajuntament, 1 - Igualada (Barcelona) - Urban Sanitation -	870	(476)	65.91%	-	1,320	(722)	-	11	3
VALORACION Y TRATAMIENTO DE RESIDUOS URBANOS, S.A. Riu Magre, 6 - P.I. Patada del Cid - Quart de Poblet (Valencia) - Urban Sanitation -	4,000	-	80%	280	5,000	8,252	-	2,178	1,441

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GROUP COMPANIES

ANNEX I/4

Company	Carrying amount		Stake (%)	Dividend collected	Capital	Reserves	Other equity items	2023 business year profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
VALORIZACIÓN Y TRATAMIENTO DE RESIDUOS, S.A. Federico Salmón, 13 - Madrid - Urban Sanitation -	7,140	-	1%	-	60	17,436	-	1,317	4,631
TOTAL	<u>97,601</u>	<u>(18,109)</u>		<u>5,144</u>					

NOTE:

- During the year, the Company made the required notifications, pursuant to Art. 155 of the Consolidated Text of the Capital Companies Act, to the acquired companies where it directly or indirectly holds more than 10%.

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JOINT VENTURES
ANNEX II

	% Stake
JV A CORUÑA LIMPIEZA	70
JV AGARBI	60
JV AGARBI BI	60
JV AGARBI INTERIORES	20
JV AIZMENDI	60
ALCANTARILLADO ALCOY JV	50
JV ALCANTARILLADO BURGOS	60
JV ALCANTARILLADO MELILLA	50
ALUMBRADO ARGANDA JV	50
JV ALUMBRADO BAZA	100
JV ALUMBRADO GELVES	50
JV ALUMBRADO GRANADA	50
JV ALUMBRADO LEPE	50
JV ALUMBRADO LUGO	25
UTE ALUMBRADO MONT-ROIG DEL CAMP	50
JV ALUMBRADO TIAS	33.5
JV ALUMBRADO ÚBEDA	50
JV AMPLIACIÓN VERTEDERO PINTO	50
JV ARAZURI 2020	50
JV ARCOS	51
UTE ARCOS LIMPIEZA VIARIA	51
JV ARTIGAS	20
JV ARUCAS II	70
JV BAIX EBRE-MONTSIÀ	60
JV BARBERÁ SERVEIS AMBIENTALS	100
JV BERANGO	20
JV BILKETA 2017	20
JV BIO ERAIKIGARBI	20
JV BIO LORATEGIAK	20
JV BIOCOMPOST DE ALAVA	50
JV BIZKAIKO HONDARTZAK	25
JV BIZKAIKO HONDARTZAK 2021	25
JV BOADILLA	50
JV CABRERA DE MAR	50
JV CANA PUTXA	20
JV CASTELLANA – PO	50
JV CENTRO AMBIENTAL PAMPLONA	50
JV CHIPIONA	50
JV CMG2 KUDEAKETA	70
JV CMG2 LANAK	70
JV COMPLEJO AMBIENTAL COPERO	33
COMPOSTAJE MCP JV	50
JV CONTENEDORES LAS PALMAS	30
CTR MONTOLIU JV	100

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JOINT VENTURES

ANNEX II/2

	% Stake
JV CTR VALLADOLID	80
JV CTR.DE L'ALT EMPORDA	45
JV CTR-VALLES	20
JV CÚA	50
JV DEPENDENCIAS ELCHE	80
JV DESODORIZACIÓN PL. DEHESAS JV	60
JV DONOSTIAKO GARBIKETA	70
JV DOS AGUAS	35
JV ECOGONDOMAR	70
JV ECOMILLA BICIPARK	60
JV ECOPARC 3 BCN	50
JV ECOPARQUE CÁCERES	50
JV ECOURENSE	50
JV EFIC. EFFIC. PTO ROSARIO JV	60
JV ELCHE	50
JV ENERGÍA SOLAR ONDA	25
JV ENLLUMENAT SABADELL	50
JV ENVASES LIGEROS MALAGA	50
JV EPELEKO KONPOSTA	60
JV EPREMASA PROVINCIAL	55
JV ERETZA	70
JV ES VEDRA	25
JV ETXEBARRI	20
F.S.S. JV	99
FCC BARBETIUM JV	65
JV FCC CAVICLUM	80
FCC IBN AL-BAITAR I JV	1
FCC IBN AL-BAITAR II JV	1
JV FCC PERICA I	60
JV FCC SA/CONTENUR SL – PARQUES INFANTILES LP	50
JV FCC-ERS LOS PALACIOS-VILLAFRANCA	50
JV FCC-FCCMA ALCOY	100
JV FCC-MCC SANTIAGO DEL TEIDE	80
JV FCCSA - GIRSA	80
JV FCCSA- LUMSA	50
JV FCC-SUFI MAJADAHONDA	50
FUENTES DE CÁDIZ JV	50
JV FUENTES LAS PALMAS	25
JV FUERTEVENTURA LOTE 2	50
JV GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40
JV GESTIÓN INSTALACIÓN III	34.99
GESTIÓN SERV.DEP.CATARROJA JV	100
GETXO LORATEGIAK JV	20
JV GIPUZKOAKO HONDARTZAK 2020	60

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JOINT VENTURES

ANNEX II/3

	% Stake
JV GIPUZKOAKO HONDARTZAK 2022	60
JV GIPUZKOAKO PORTUAK 2019	40
JV GIREF	20
GOIERRI BILKETA JV	60
JV GOIERRI GARBIA	60
INDUSTRIALES LEA ARTIBAI JV	20
JV INTERIORES BILBAO	80
JV INTERIORES BILBAO II	30
JV INTERIORES ORDUÑA	20
JV JARD. UNIVERSITAT JAUME I JV	50
JV JARDINERAS 2019	60
JV JARDINES BOADILLA	70
JV JARDINES PTO DEL ROSARIO	78
JV JARDINES TELDE	100
JV JARDINES UJI	50
JARDINS STA. COLOMA JV	100
JV JEREZ	70
JV JJ GAIKETA SANMARKO	63
JV JUNDIZ II	51
JV LA LLOMA DEL BIRLET	80
JV LACODIMA	50
JV LAS CALDAS GOLF	50
LAUDIO GARBIA JV	20
JV LEGIO VII	50
JV LEKEITIO GARBIA	20
JV LEKEITIOKO MANTENIMENDUA	60
JV LEZO GARBIKETA 2018	55
JV LIMPIEZA Y RSU LEZO	55
JV LITORAL ILLES BALEARIS	50
JV LOGROÑO LIMPIO	50
JV LUZE VIGO	20
LV COSLADA JV	50
JV LV ORDUÑA	20
JV LV RIBERA	90
JV LV RSU MUSKIZ	20
JV LV RSU VITORIA-GASTEIZ	60
JV LV ZUMAIA	60
JV LV ZUMARRAGA	60
JV MADRID ZONA 6	100
JV MANT. EDIF. DIP. VALENCIA	27.5
JV MANT. EDIFICIOS VALENCIA JV	27.5
JV MANT. INSTALACIONES L9	50
JV MEJORAS PARQUE SAN ISIDRO	99
JV MELILLA	50

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JOINT VENTURES

ANNEX II/4

	% Stake
JV MODIFICACION PLANTA LAS DEHESAS	50
JV MUSKIZ	20
JV NETEJA I RECOLLIDA ANGLÈS	50
JV NETEJA PINTADES BARCELONA	84.2
JV NETIAL	66.66
JV NEUMÁTICA CASCO ANTIGUO	65
NIVARIA JV	29
OBRA CUB. CAPAT. CATARROJA JV	27.5
JV ONDA EXPLOTACION	33.334
ORDUÑA GARBIA JV	20
JV PÁJARA	70
JV PAMPLONA	80
PAP LA CELLERA JV	50
JV PARLA	50
JV PISCINA CUB. MUN.L'ELIANA	100
JV PISCINA CUBIERTA BENICARLO	100
JV PISCINA CUBIERTA CDAD.DEPORTE ALBORAYA	100
JV PISCINA CUBIERTA MANISES	100
JV PISCINA CUBIERTA PAIPORTA	100
JV PLANTA MATERIA ORGÁNICA	40
JV PLANTA RSI TUDELA	60
JV PLANTA TRATAM. VALLADOLID JV	90
JV PLAYAS GIPUZKOA III	55
JV PONIENTE ALMERIENSE	50
JV PORTMANY	50
UTE PTMR	50
JV RBU VILLA-REAL	47
UTE RBU. ELS PORTS JV	50
UTE REC. NEUM. VALDESPARTERA	49
JV RECOLLIDA SEGRÌÀ	60
JV REG CORNELLÀ	60
JV REHAB. PARQUE LA GAVIA JV	45
JV RELIMA	50
REUTILIZA JV	70
JV RSU BILBAO II	20
JV RSU CHIPIONA	50
JV RSU DONOSTI	70
JV RSU LV MUSKIZ	20
JV RSU LV S. BME TIRAJANA	50
JV RSU MÁLAGA	50
JV RSU SESTAO	60
JV RSU TOLOSALDEA	60
JV RSU Y LV COLMENAR VIEJO	50
JV RSU Y LV TORREJÓN DE ARDOZ	60

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JOINT VENTURES
ANNEX II/5

	% Stake
JV S.U. BENICARLO JV	90
JV S.U. BENICASSIM JV	35
JV S.U. OROPESA DEL MAR JV	35
JV S.U. BILBAO	60
JV SANEAMIENTO EMASA	50
SANEAMIENTO VITORIAGASTEIZ JV	60
JV SANEJAMENT CELLERA DE TER	50
SANEJAMENT GIRONA JV	70
SANEJAMENT GRANOLLERS JV	80
JV SANEJAMENT MANRESA	100
JV SAV-FCC TRATAMIENTOS	35
JV SELEC. UROLA KOSTA II 2017 JV	60
JV SELECTIVA LAS PALMAS	55
JV SELECTIVA SAN MARCOS II	63
JV SELECTIVA SANLUCAR	50
JV SELECTIVA UROLA KOSTA	60
UTE SELL. LANDFILL GARDELEGUI	50
JV SEVILLA AREAS TERRITORIALES	50
STO. URBANO CASTELLÓN JV	65
JV SU ALICANTE	33.33
JV SU MURO	20
JV TOLOSAKO GARBIKETA	40
JV TOLOSAKO GARBIKETA 2020	40
JV TOLOSALDEA RSU 2018	60
JV TOLOSALDEA RSU 2023	60
JV TORREJÓN	100
JV TRANSP. AND ELIM. RSU JV	33.334
JV TRANSPORTE RSU	33.334
UTE TXORIERRI RSU 2023	20
URIBE KOSTA JV	60
JV UROLA ERDIA	60
UTE UROLA KOSTA 2023	60
UTE URRETXU GARBI 2023	60
JV URRETXU GARBIKETA	60
JV VALDEMORO	100
JV VALDEMORO 2	100
JV VERTEDERO GARDELEGUI III	70
JV VERTRESA	10
JV VIDRIO MELILLA	50
JV ZAMORA LIMPIA	30
JV ZARAGOZA ALCANTARILLADO	50
JV ZARAGOZA DELICIAS	51

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JV ZARAUZT GARBIA	60
UTE ZARAUZTKO GARBIKETA	60

JOINT VENTURES

ANNEX II/6

%
Stake

JV ZUMARRAGA GARBIA	60
ZZVV SANTA CRUZ TENERIFE JV	50

ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

Company	Carrying amount		Stake (%)	Dividend collected	Capital	Reserves	Other equity items	2023 business year profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
ATLAS GESTIÓN MEDIOAMBIENTAL, S.A. Viriato, 47 - Barcelona - Waste treatment -	11,945	-	50%	2,708	1,269	4,694	-	7,088	5,065
ECOPARC DEL BESÒS, S.A. Rambla Catalunya, 91-93 - Barcelona - Urban Sanitation -	2,621	-	dir. 31% indt. 18%	3,863	7,710	(3,230)	3,735	8,814	6,656
ECOSERVEIS URBANS FIGUERES, S.L. Avda De Les Alegries, s/n - Lloret de Mar (Girona) - Urban Sanitation -	301	-	50%	25	601	108	-	87	159
EMPRESA MIXTA DE MEDIO AMBIENTE DE RINCON DE LA VICTORIA, S.A. Barriada de las Zorreras, s/n - Rincón de la Victoria (Malaga) - Urban Sanitation -	301	(23)	50%	-	601	64	-	(111)	(110)
EMPRESA MIXTA LIMPIEZA VILLA DE TORROX, S.A. Pl. de la Constitución, 1 - Torrox (Malaga) - Urban Sanitation -	300	-	50%	8	600	280	-	-	84
GESTIÓN INTEGRAL DE RESIDUOS SÓLIDOS, S.A. Profesor Beltrán Báguena, 4 - Valencia - Waste treatment -	10,781	(5,255)	49%	-	13,124	(2,223)	82	594	375
GIREF GENERACIÓN RENOVABLE, S.L. Pedro Lafayo, 6 - Eivissa / Ibiza (Balearic Islands) - Energy -	2	-	20%	-	8	-	-	-	-

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ANNEX III/2

ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

Company	Carrying amount		Stake (%)	Dividend collected	Capital	Reserves	Other equity items	2023 business year profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
INGENIERÍA URBANA, S.A. Calle 1 esq. Calle 3, P.I. Pla de la Vallonga - Alicante - Urban Sanitation -	3,786	-	35%	660	6,010	4,251	-	108	271
PALACIO EXPOSICIONES Y CONGRESOS DE GRANADA, S.A. Paseo del Violón, s/n - Granada - Urban Sanitation -	255	(255)	50%	-	510	(7,134)	-	371	227
TIRME, S.A. Crta. Sóller, Km 8,2 - Camino de Son Reus - Palma (Balearic Islands) - Waste treatment -	1,529	-	20%	4,709	7,663	1,774	1,616	31,513	23,264
TRATAMIENTO INDUSTRIAL DE RESIDUOS SÓLIDOS, S.A. Rambla de Cataluña, 91 - Barcelona - Waste treatment -	1,286	-	3.33%	2,910	1,127	3,552	-	757	7,234
TOTAL	33,107	(5,533)		14,883					

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MANAGEMENT REPORT

Performance of the Company in 2023

At the end of the year, the company achieved a turnover of 1,641,625 thousand euros, basing its activity mainly on municipal cleaning.

The following table shows the company's performance in terms of sales, within the turnover:

	2019	2020	2021	2022	2023
Sales in thousands of euros	1,332,985	1,319,066	1,426,914	1,530,907	1,641,625

The contribution to turnover in the year, from the contracts operated through joint ventures amounts to 306,198 thousand euros (254,044 thousand euros in 2022).

FCC Medio Ambiente increased the size of its portfolio in 2023, as a result of several awards and renewals: in Valencia Zona Norte, with the collection of MSW and street cleaning worth more than 486 million euros over the next 15 years; in Cadiz, the Las Calandrias (Jerez) waste treatment plant, set to generate revenues of 317 million euros over 20 years; and MSW and street cleaning in Torrente worth more than 102 million euros over the next 15 years.

The main risks to which the company is exposed relate to contracting, execution and quality in the provision of municipal sanitation, and municipal and industrial cleaning services, and investment, financial and human resources risks, as well as general business risks.

To the extent that the company is part of the FCC Group, there are risk policies aimed at limiting the impact of risks on the company's financial statements and its normal course of business.

Disclosures required by Law 31/2014

During the business year, the company maintains part of its payment commitments over and above the provisions of Law 3/2004 and Law 15/2010 on measures to combat late payment in commercial transactions. The company has planned measures aimed at reducing this period for the next business year, including the amendment of its commercial agreements with external suppliers, where such adaptation is possible.

Financial Risk Management Policy

Exchange rate risk. The current positioning of FCC Medio Ambiente, S.A.U. in international markets means that exchange rate risk has a moderate effect. However, the FCC Group's policy is to reduce, as far as possible, the negative effect that this risk could have on its financial statements, both due to transactional and purely equity changes. In practice, the effect of the

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former is mitigated, provided that the volume of transactions warrants this, by entering into appropriate hedging instruments on the market. With regard to the latter, i.e. balance sheet transactions, the company's policy, when the situation so requires and provided that the financial markets offer liquidity, instruments and terms, is to try to obtain coverage by arranging financing transactions in the same currency in which the asset is denominated.

Interest rate risk. In view of the nature of our activities, in which working capital management plays an essential role, our policy is to determine benchmarks for our financial debt that reflect changes in inflation with greater reliability. Therefore, our company's policy is to endeavour to ensure that both current financial assets, which to a large extent provide natural hedges for our current financial liabilities, and debt are tied to floating interest rates. In long-term transactions, where required by the Group's financial structure, debt is at fixed rates for a term that matches the maturity cycle of the transaction in question, all within the possibilities offered by the market.

Solvency risk. In order to mitigate liquidity risk, the company is present at all times in different markets in a bid to obtain credit facilities and minimise the risk arising from the concentration of operations. It raises finance from various Spanish and international financial institutions and works with a wide range of financial products, such as credits, loans and discounts.

Environmental management policy

The very nature of the activity carried out by the Company is aimed at the protection and conservation of the environment, not only through productive activity but through: waste collection, operation and control of landfills, sewer cleaning, treatment and disposal of industrial waste, etc., but also for the development of this activity through the use of production techniques and systems aimed at reducing environmental impact in accordance with the limits established by the regulations in these areas.

The contingencies relating to the protection and improvement of the environment held by the company as at December 31, 2023 and 2022 are not significant amounts and management believes that they would not have a significant impact on the accompanying financial statements, which include operating provisions to cater for general and extraordinary contingencies that might arise.

Research and Development Activities

At the environmental services business line, the Company pressed on with projects initiated in previous years (VISION, BICISENDAS, INSECTUM, LIFE4FILM, B-FERST, DEEP PURPLE, LIFE LANDFILL BIOFUEL, LIFE PLASMIX, SEALING OF MINING WASTE DEPOSIT, H2TRUCK, ECO2D4.0, MINETHIC, ECLOSION, IRRIGATION AND DROPPING TANK and PV4INK), and also launched numerous new projects, as outlined below.

In the field of waste treatment we have five new projects:

1. ABATE Project

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It consists of the use of compact, high-performance marketable technologies for the reduction of VOCs in EU waste treatment plants, reducing CO₂ emissions and energy consumption.

2. BIOPROLOGNO Project

This project has several objectives:

Optimize and develop the pyrolysis process of lignocellulosic waste using microwave technology to obtain "Wood Vinegar" and "biochar". This requires the development of an expert pyrolysis management system based on residence time and temperature to maximise the generation of the bioproducts of interest (Wood vinegar and Biochar).

Obtain and characterize bioproducts by measuring their structural characteristics. For this purpose, forestry waste materials will be sent from the Loeches environmental complex to the LAYNA plant (Horche).

Demonstrate the agronomic characteristics of biochar as a biofertilizer and soil improver. Application of biochar in the green areas in and around the Loeches waste treatment plant.

Evaluate the feasibility and effectiveness of using wood vinegar as a substitute for synthetic herbicides in infrastructure, roads and gardening. Application of biochar in the green areas in and around the Loeches waste treatment plant.

3. LUCRA Project

The LUCRA project proposes to demonstrate biotechnological and green processes for the production of: biologically based succinic acid using organic waste, PU polyester polyol dispersions based on the succinic acid of biological origin and polyester polyol resins based on the succinic acid obtained.

In a nutshell, it aims to demonstrate the sustainable production outside a laboratory of succinic acid of biological origin and its use in the production of innovative products also of biological origin.

4. MPB DEHESAS Project

Investigation of digestion of leachate treatment plants.

Substrate study for biomethanation

- Post biomethanation leachates.
- FORS leachates.
- Compost leachates.

5. LIFE ZEROLANDFILLING Project

"Landfill recovery through an innovative and integrated process committed to the circular economy".

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The LIFE ZEROLANDFILLING project will deploy and demonstrate, on a pioneering, semi-industrial scale, the cost-effectiveness and sustainability of an innovative, advanced and integrated pilot plant to enable the chemical treatment and recycling of non-recyclable MSW which (due to its heterogeneity and presence of non-recyclable complex plastics and bio-waste) is typically sent to landfill, thus revalorising it as a waste product: A liquid mixture of high quality hydrocarbons known as green naphtha for the chemical and petrochemical industries; solid charcoal for the construction industry; and synthesis gas for self-consumption during the pyrolysis process.

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

1. Project: CHASSIS DESIGN OF SIDE-LOADING CONTAINER WASHER, CNG CHASSIS

The project involves the development of a new side-loading chassis for a container washer with a capacity of 1,100 litres to 3,200 litres, with a washing chamber made of aluminium, maximum clean water capacity of 9,750 litres, with special interior and exterior washing pumps to allow the washing of containers for an entire working day without having to refill with water, thus reducing downtime, increasing performance and, therefore, lowering the vehicle's energy consumption and cutting both polluting emissions of exhaust gases and greenhouse gases, all installed on a compressed natural gas chassis with 26 tonnes of maximum authorised mass (MAM).

Acquisition of Own Shares

No purchases of own shares were made during the year.

Use of Financial Instruments

There is no relevant additional information to that included in the financial statements regarding financial instruments.

Forecast for 2024

The outlook for the year 2024 remains favourable, in terms of both growth of activity and results. Therefore, growth is expected from new contract wins and contributions received from the JVs set up in 2023.

Statement of Non-Financial Information

The Company is included in the consolidated Non-Financial Statement that is part of the larger Consolidated Management Report of Fomento de Construcciones y Contratas S.A. and Subsidiaries.

This Non-Financial Statement has been prepared pursuant to the requirements set out in Spanish Law 11/2018 of December 28, amending the Code of Commerce, the consolidated text of the Corporate Enterprises Act approved by Royal Decree Legislative 1/2010 of 2 July, and Law

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22/2015 of 20 July, on audits, in matters of non-financial information and diversity. The consolidated management report of Fomento de Construcciones y Contratas, S.A. and Subsidiaries is filed at the Barcelona Mercantile Registry.

Subsequent events at the end of the year

No significant event occurred between the reporting date and the date of authorisation for issue of these financial statements with a significant impact on the Company's financial position that has not been disclosed in the notes to the financial statement.