Fomento de Construcciones y Contratas, S.A.

Financial Statements for the year ended 31 December 2014 and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and 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 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and 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 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Fomento de Construcciones y Contratas, S.A., which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of Fomento de Construcciones y Contratas, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Fomento de Construcciones y Contratas, S.A. as at 31 December 2014, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2014 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2014. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Javier Parada Pardo
27 February 2015

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Financial Statements and Directors' Report 2014

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Financial Statements

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 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

BALANCE SHEET AS AT 31 DECEMBER 2014

(in thousands of euros)

ASSETS	31/12/14		31/12/13	
NON-CURRENT ASSETS		**4,503,255**		**3,712,741**
Intangible assets (Notes 5 and 8)		**111,557**		**150,929**
Property plant and equipment (Note 6)		**355,726**		**354,714**
Land and buildings	70,762		72,516	
Other items of property, plant and equipment	284,964		282,198	
Non-current investments in Group companies and associates (Notes 10-a and 23-b)		**3,745,254**		**2,902,094**
Equity instruments	2,411,364		2,096,844	
Loans to companies	1,133,890		805,250	
Other financial assets	200,000		—	
Non-current financial investments (Note 9-a)		**64,608**		**55,243**
Deferred tax assets (Note 20)		**195,212**		**220,126**
Non-current trade receivables (Note 8)		**30,898**		**29,635**
CURRENT ASSETS		**1,665,269**		**2,042,324**
Non-current assets classified as held for sale (Note 11)		**225,000**		**378,239**
Inventories		**28,392**		**28,556**
Trade and other receivables		**511,075**		**528,835**
Trade receivables for sales and services (Note 12)	410,403		430,578	
Trade receivables from Group companies and associates (Note 23-b)	69,852		50,627	
Tax receivables (Note 20)	17,755		29,531	
Other receivables	13,065		18,099	
Current investments in Group companies and associates (Notes 10-b and 23-b)		**494,374**		**924,573**
Current financial investments (Note 9-b)		**14,191**		**15,297**
Cash and cash equivalents		**392,237**		**166,824**
TOTAL ASSETS		**6,168,524**		**5,755,065**

The accompanying Notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2014.

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 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

EQUITY AND LIABILITIES	31/12/14		31/12/13	
EQUITY (Note 14)		**245,961**		**174,542**
Shareholders' equity		**238,224**		**169,188**
Share capital		**260,572**		**127,303**
Registered share capital	260,572		127,303	
Share premium		**1,083,882**		**242,133**
Reserves		**922,199**		**922,194**
Treasury shares		**(5,278)**		**(6,103)**
Prior years' losses		**(1,152,254)**		**(715,759)**
Profit (Loss) for the year		**(906,473)**		**(436,494)**
Other equity instruments		**35,576**		**35,914**
Valuation adjustments		**6,118**		**3,825**
Grants, donations and legacies received		**1,619**		**1,529**
NON-CURRENT LIABILITIES		**4,840,464**		**532,851**
Long-term provisions (Note 16)		**308,138**		**252,567**
Non-current payables (Note 17)		**4,172,621**		**56,651**
Debt instruments and other marketable securities	445,975		—	
Bank borrowings	3,709,348		39,353	
Other financial liabilities	17,298		17,298	
Non-current payables to Group companies and associates (Note 10-d)		**200,774**		—
Deferred tax liabilities (Note 20)		**66,316**		**87,203**
Non-current trade and other payables (Note 18)		**92,615**		**136,430**
CURRENT LIABILITIES		**1,082,099**		**5,047,672**
Short-term provisions (Note 16)		**35,100**		**304**
Current payables (Note 17)		**96,733**		**4,113,898**
Debt instruments and other marketable securities	4,873		448,012	
Bank borrowings	43,778		3,599,928	
Other financial liabilities	48,082		65,958	
Current payables to Group companies and associates (Notes 10-e and 23-b)		**549,903**		**516,082**
Trade and other payables		**400,212**		**416,795**
Payable to suppliers	87,738		102,043	
Payable to suppliers - Group companies and associates (Note 23-b)	19,385		17,252	
Other accounts payable to Public Authorities (Notes 18 and 20)	159,165		157,448	
Other payables (Note 12)	133,924		140,052	
Current accruals and deferred income		**151**		**593**
TOTAL EQUITY AND LIABILITIES		**6,168,524**		**5,755,065**

The accompanying Notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2014.

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 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of euros)

	31/12/14	31/12/13
CONTINUING OPERATIONS		
Revenue (Note 22)	**1,386,681**	**1,855,416**
Sales and services	1,256,101	1,267,713
Revenue from investments in Group companies and associates (Notes 22 and 23-a)	22,159	438,465
Financial revenue from marketable securities and other financial instruments of Group companies and associates (Notes 10, 22 and 23-a)	108,421	149,238
Procurements	**(178,046)**	**(192,288)**
Other operating income	**77,769**	**61,732**
Staff costs (Note 22)	**(783,459)**	**(817,997)**
Other operating expenses	**(191,807)**	**(180,254)**
Depreciation and amortisation charge (Notes 5 and 6)	**(76,483)**	**(83,314)**
Allocation to the income statement of grants related to non-financial non-current assets and other grants (Note 14-g)	**261**	**251**
Excessive provisions (Note 16)	**8,616**	**14,256**
Impairment and gains or losses on disposals of non-current assets and other gains or losses (Note 22)	**(67,083)**	**(4,051)**
PROFIT (LOSS) FROM OPERATIONS	**176,449**	**653,751**
Finance income (Note 22)	**136,529**	**4,507**
Finance costs	**(321,614)**	**(274,655)**
On debts to Group companies and associates (Note 23-a)	(16,434)	(26,406)
On debts to third parties	(296,752)	(243,336)
Interest cost relating to provisions	(8,428)	(4,913)
Changes in fair value of financial instruments (Note 13)	**9,370**	**18,344**
Exchange rate differences	**7,841**	**(2,206)**
Impairment and gains or losses on disposals of financial instruments (Notes 10 and 11)	**(904,528)**	**(869,809)**
FINANCIAL PROFIT (LOSS)	**(1,072,402)**	**(1,123,819)**
PROFIT (LOSS) BEFORE TAX	**(895,953)**	**(470,068)**
INCOME TAX (Note 20)	**(10,520)**	**33,574**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(906,473)**	**(436,494)**
PROFIT (LOSS) FOR THE YEAR	**(906,473)**	**(436,494)**

The accompanying Notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2014.

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 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE
(in thousands of euros)

	31/12/14	31/12/13
Profit (Loss) per income statement	**(906,473)**	**(436,494)**
Income and expense recognised directly in equity		
Arising from available-for-sale financial assets	—	52
Arising from cash flow hedges	(1,574)	(795)
Grants, donations and legacies received	237	—
Tax effect	472	238
Income and expense recognised directly in equity	**(865)**	**(505)**
Transfers to the income statement		
Arising from cash flow hedges	5,014	36,845
Grants, donations and legacies received	(261)	(251)
Tax effect	(1,506)	(10,990)
Total transfers to the income statement	**3,247**	**25,604**
TOTAL RECOGNISED INCOME AND EXPENSE	**(904,091)**	**(411,395)**

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 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

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

	Share capital (Note 14-a)	Share premium (Note 14-b)	Reserves (Note 14-c)	Treasury shares (Note 14-d)	Prior years' losses	Profit (Loss) for the year	Other equity instruments (Note 14-e)	Valuation adjustments (Notes 13 and 14-f)	Grants (Note 14-g)	Equity
Equity at 31 December 2012	**127,303**	**242,133**	**963,000**	**(90,228)**		**(715,759)**	**35,914**	**(21,4**	**1,717**	**542,618**
Total recognised income and expense						**(436,494)**		**25,287**	**(188)**	**(411,395)**
Transactions with shareholders and owners			**(40,806)**	**84,125**						**43,319**
Treasury share transactions (net)			(40,806)	84,125						43,319
Other changes in equity					**(715,759)**	**715,759**				
Equity at 31 December 2013	**127,303**	**242,133**	**922,194**	**(6,103)**	**(715,759)**	**(436,494)**	**35,914**	**3,825**	**1,529**	**174,542**
Total recognised income and expense						**(906,473)**		**2,293**	**89**	**(904,091)**
Transactions with shareholders and owners	**133,269**	**841,749**	**5**	**825**						**975,848**
Capital increases	133,269	841,749								975,018
Treasury share transactions (net)			5	825						830
Other changes in equity					**(436,494)**	**436,494**	**(338)**			**(338)**
Equity at 31 December 2014	**260,572**	**1,083,882**	**922,199**	**(5,278)**	**(1,152,254)**	**(906,473)**	**35,576**	**6,118**	**1,619**	**245,961**

The accompanying Notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2014. In particular, Note 14, "Equity" explains this statement.

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 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of euros)

	31/12/14		31/12/13	
Profit (Loss) for the year before tax		**(895,953)**		**(470,068)**
Adjustments to profit (loss)		**1,070,355**		**622,415**
Depreciation and amortisation charge (Notes 5 and 6)	76,483		83,314	
Impairment losses (Note 10)	893,523		925,104	
Changes in provisions (Note 16)	62,959		11,455	
Gains/Losses on derecognition and disposal of financial instruments (Note 10-a)	—		(63,094)	
Finance income (Note 22)	(267,109)		(592,210)	
Finance costs	321,616		274,654	
Other adjustments	(17,117)		(16,808)	
Changes in working capital		**(38,079)**		**210,905**
Trade and other receivables	(3,268)		123,542	
Trade and other payables	(37,162)		89,055	
Other current assets and liabilities	2,351		(1,692)	
Other cash flows from operating activities		**(225,596)**		**230,239**
Interest paid	(205,053)		(267,553)	
Interest and dividends received	98,931		538,336	
Income tax recovered/(paid) (Note 20)	(116,251)		(38,203)	
Other amounts received (paid)	(3,223)		(2,341)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**(89,273)**		**593,491**
Payments due to investments		**(405,339)**		**(1,005,184)**
Group companies and associates (Note 10)	(317,039)		(945,609)	
Intangible assets and property, plant and equipment (Notes 5 and 6)	(70,523)		(53,214)	
Other financial assets	(17,777)		(6,361)	
Proceeds from disposals		**70,211**		**611,018**
Group companies and associates (Note 10)	2,356		590,281	
Intangible assets and property, plant and equipment (Notes 5 and 6)	5,928		3,698	
Non-current assets classified as held for sale (Note 11)	49,000		—	
Other financial assets	12,927		17,039	
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		**(335,128)**		**(394,166)**
Proceeds and payments relating to equity instruments		**996,423**		**43,743**
Proceeds from issue of equity instruments (Note 14-a)	975,018		—	
Disposal of treasury shares	141,805		161,924	
Purchase of treasury shares	(140,974)		(118,606)	
Other proceeds and/or payments relating to equity instruments	20,574		425	
Proceeds and payments relating to financial liability instruments (Note 17)		**(346,609)**		**(242,806)**
Proceeds from issue of:				
Bank borrowings	276,455		20,501	
Borrowings from Group companies and associates	154,101		1,992	
Other borrowings	32,040		6,886	
Repayment and redemption of:				
Debt instruments and other marketable securities	(4,398)		—	
Bank borrowings (Note 17)	(772,780)		(26,263)	
Borrowings from Group companies and associates	—		(236,014)	
Other borrowings	(32,027)		(9,908)	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**649,814**		**(199,063)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**225,413**		**262**
Cash and cash equivalents at beginning of year		**166,824**		**166,562**
Cash and cash equivalents at end of year		**392,237**		**166,824**

The accompanying Notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2014.

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 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

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1. COMPANY ACTIVITIES

Fomento de Construcciones y Contratas, S.A. is a company incorporated in Spain in accordance with the Spanish Limited Liability Companies Law, the core business of which is to provide Environmental Services, which include the collection and treatment of solid waste and the cleaning of public streets and sewer systems, and Integral Water Management, which includes water treatment and distribution and other complementary services. The Company's registered office is at c/ Balmes, 36 (Barcelona) and it carries on its activities basically in Spain.

Fomento de Construcciones y Contratas, S.A. is in turn Parent of the FCC Group, which comprises a broad spectrum of Spanish and foreign subsidiaries and associates that carry on various business activities grouped together in the following areas:

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

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

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

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

As part of the process initiated in prior years by the FCC Group to sell its non-core assets, in 2014 the sale of the Energy Area was completed (see Note 11). Also, the Company decided not to sell its ownership interest in Realia Business, S.A., because, following the capital increase, the investment and divestment plan is currently being revised.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements, which were prepared from the accounting records of Fomento de Construcciones y Contratas, S.A. and the joint ventures in which it has interests, were prepared in accordance with the Spanish Commercial Code, Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Spanish Limited Liability Companies Law, and Royal Decree 1514/2007 which introduced the Spanish National Chart of Accounts. Also included were all the accounting principles and rules contained in the legislative amendments established by Royal Decree 1159/2010, of 17 September, on industry plans, including Order EHA/3362/2010 implementing the Spanish National Chart of Accounts adapted for public infrastructure concession operators, and the applicable mandatory rules, resolutions and recommendations of the Spanish Accounting and Audit Institute (ICAC) and, accordingly, they present fairly the Company's equity, financial position, results and cash flows for 2014. It should be noted that, as a result of the publication in 2009 by the ICAC of a request for a ruling regarding the presentation for accounting purposes of the income of holding companies, "Revenue from Investments in Group Companies and Associates" and "Financial Revenue from Marketable Securities and Other Financial Instruments of Group Companies and Associates" are classified under "Revenue" in the accompanying income statement.

These financial statements, which were formally prepared by the Company's Directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2013 were approved by the shareholders at the Annual General Meeting held on 23 June 2014.

The financial statements are expressed in thousands of euros.

Unincorporated temporary joint ventures and similar entities

The balance sheets, income statements, statements of changes in equity and statements of cash flows of the unincorporated temporary joint ventures (JVs) in which the Company has interests were proportionately consolidated on the basis of the Company's percentage of ownership of each joint venture.

The JVs were included by making the required timing and measurement uniformity adjustments, reconciliations and reclassifications and by eliminating reciprocal asset and liability balances and income and expenses. Any material amounts relating to the JVs are detailed in these notes to the financial statements.

The accompanying balance sheet and income statement include the related items in proportion to the percentages of ownership of the joint ventures, the detail being as follows:

	2014	2013
Revenue	205,454	188,732
Profit (Loss) from operations	19,869	19,512
Non-current assets	126,633	152,358
Current assets	252,957	230,737
Non-current liabilities	52,184	61,451
Current liabilities	299,384	294,432

Appendix II lists the joint ventures and indicates the percentage share of their results.

Grouping of items

Certain line items in the balance sheet, income statement and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

Consolidated financial statements

Since Fomento de Construcciones y Contratas, S.A. is the head of the FCC Group, its Directors are obliged under current legislation to prepare consolidated financial statements separately. The aforementioned consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, as well as all the provisions and interpretations implementing it. The consolidated financial statements of the FCC Group for 2014, which were prepared by the Directors, will also be submitted for approval by the shareholders at the Annual General Meeting.

The consolidated financial statements of Fomento de Construcciones y Contratas, S.A. prepared in conformity with International Financial Reporting Standards (IFRSs) present total assets of EUR 14,023 million (31 December 2013: EUR 15,632 million) and equity attributable to the Company's shareholders of EUR 272 million (31 December 2013: EUR 3 million). In addition, consolidated sales amounted to

EUR 6,334 million (31 December 2013: EUR 6,750 million). Lastly, the consolidated loss attributable to the Parent amounted to EUR 724 million (31 December 2013: a loss of EUR 1,506 million).

3. DISTRIBUTION OF PROFIT OR LOSS

The Directors of Fomento de Construcciones y Contratas, S.A. will submit for approval by the shareholders at the Annual General Meeting the allocation of the loss for 2014, amounting to EUR 906,473 thousand, to "Prior Years' Losses".

In addition, in 2013 the Company incurred a loss of EUR 436,494 thousand, which was also allocated to "Prior Years' Losses".

4. ACCOUNTING POLICIES

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2014, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible assets

The concession arrangements are recognised in accordance with Ministry of Economy and Finance Order EHA/3362/2010 approving the rules for adapting the Spanish National Chart of Accounts for public infrastructure concession operators. In general, there are two clearly different phases:

- The first in which the concession operator provides construction or upgrade services which are recognised as intangible or financial assets in accordance with recognition and measurement standard 14, Income from Sales and Services of the Spanish National Chart of Accounts and the rules on the percentage of completion method contained in measurement standard 18, Sales, Income from Completed Work and Other Income of the rules for adapting the Spanish National Chart of Accounts for construction companies;

- And a second phase in which the concession operator provides a series of maintenance or operation services for the related infrastructure, which are recognised in accordance with recognition and measurement standard 14, Income from Sales and Services of the Spanish National Chart of Accounts.

An intangible asset is recognised when the demand risk is borne by the concession operator and a financial asset is recognised when the demand risk is borne by the concession grantor since the operator has an unconditional contractual right to receive cash for the construction or upgrade services. In certain bifurcated arrangements, the operator and the grantor may share the demand risk, although this is practically non-existent at the Company.

For concessions classified as intangible assets, provisions for dismantling, removal and restoration and any work to upgrade the infrastructure or increase its capacity, the revenue from which is envisaged in the initial contract, are capitalised at the start of the concession and the amortisation of these assets and the interest cost relating to the provisions are recognised in the income statement. Also, provisions to replace and repair the infrastructure are systematically recognised in the income statement as the obligation is incurred.

In addition, the borrowing costs arising from the financing of the infrastructure incurred from the construction until the entry into service of the infrastructure are included in the initial recognition of the intangible asset. When the infrastructure is ready to come into operation, the aforementioned costs are capitalised if they meet the requirements under the related rules, provided that there is reasonable evidence that future revenue will enable the capitalised amount to be recovered.

These intangible assets are amortised on the basis of the demand for, or the use of, the infrastructure, taken to be the changes in and best estimates of the production units of each activity.

Concessions classified as a financial asset are recognised at the fair value of the construction or upgrade services provided. In accordance with the amortised cost method, the related finance income is recognised as revenue in the income statement based on the effective interest rate resulting from the expected cash inflows and outflows of the concession. The borrowing costs arising from the financing of these assets are classified under “Finance Costs” in the income statement. As explained above, the income and expenses from the provision of maintenance and operation services are recognised in the income statement in accordance with recognition and measurement standard 14, Income from Sales and Services of the Spanish National Chart of Accounts.

Other intangible assets, concessions and software, among other items, are recognised at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. At 2014 year-end there were no indications that any of the Company's intangible assets had suffered an impairment loss. The Company does not own any assets with indefinite useful lives.

In accordance with Order EHA/3362/2010 mentioned in the previous point, “Intangible Assets - Concessions” in the balance sheet includes the charges paid for the award of the concession arrangements.

Computer software maintenance costs are recognised in the income statement for the year in which they are incurred.

As a general rule, intangible assets are amortised on a straight-line basis over their years of useful life.

b) Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost if the Company has performed in-house work thereon and are subsequently reduced by the related accumulated depreciation and by any impairment losses. At 31 December 2014, there was no indication that any of the items of the Company's property, plant and equipment had suffered an impairment loss and, therefore, since the recoverable amount of the assets is higher than or the same as their carrying amount, no impairment losses were recognised in this connection.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Non-current assets that necessarily take a period of more than twelve months to get ready for their intended use include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other funds borrowed specifically or generally directly attributable to the acquisition or production of the assets.

In-house work on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined on the basis of in-house materials consumption, direct labour and general manufacturing costs).

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Years of estimated useful life
Buildings and other structures	25 - 50
Plant and machinery	5 - 15
Other fixtures, tools and furniture	8 - 12
Other items of property, plant and	4 - 10

However, certain contracts have terms shorter than the useful life of the related non-current assets, in which case they are depreciated over the contract term.

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

Whenever there are indications of impairment of assets with a finite useful life (i.e. all the Company's intangible assets and property, plant and equipment), the Company tests the tangible and intangible assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. To determine the recoverable amount of the assets tested for impairment, an estimate is made of the present value of the net cash flows arising from the cash-generating units (CGUs) to which the assets belong, and to discount the cash flows, a pre-tax discount rate is applied that reflects current market assessments of the time value of money and the risks specific to each cash-generating unit.

Where an impairment loss on assets subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the value that would have been determined had no impairment loss been recognised for in prior years. The reversal of the impairment loss is recognised as income in the income statement.

d) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

d.1) Finance leases

In finance leases in which the Company acts as the lessee, the cost of the leased assets is presented in the balance sheet, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount is the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option, when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the income statement for the year in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the period in which it is incurred.

On expiry of the leases, the Company exercises the purchase option and the lease arrangements do not impose any restrictions concerning exercise of this option. Also, the lease agreements do not contain any renewal, review or escalation clauses.

The assets recognised for transactions of this nature are depreciated on the basis of their nature and useful lives using criteria similar to those applied to items of property, plant and equipment taken as a whole.

There are no finance leases in which the Company acts as lessor.

d.2) Operating leases

When the Company acts as the lessee, it charges the expenses from operating leases to income on an accrual basis.

When the Company acts as the lessor, lease income and expenses from operating leases are recognised in income on an accrual basis. Also, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the investments arising from the lease agreements directly attributable to the lease, which are recognised as an expense over the term of such agreements, applying the same method as that used to recognise lease income.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

e) Financial instruments

e.1) Financial assets

Classification

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

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

- Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.

- Held-for-trading financial assets: assets acquired with the intention of selling them in the near term and assets that form part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking. This category also includes financial derivatives that are not financial guarantees and that have not been designated as hedging instruments.

- Other financial assets at fair value through profit or loss: this category includes the financial assets thus designated by the Company upon initial recognition, because either their designation as such eliminates or significantly reduces accounting mismatches or those assets form part of a group whose performance is evaluated by Company management on a fair value basis, in accordance with an established and documented strategy.

- Equity investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other investors.

- Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

These financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs, except for held-for-trading assets and investments in Group companies affording control, the costs of which are recognised directly in the income statement.

Subsequent measurement

- Loans and receivables and held-to-maturity investments are measured at amortised cost.

- Held-for-trading financial assets and those classified as at fair value through profit or loss are measured at fair value and the gains and losses arising from changes in fair value are recognised in the income statement for the year.

- Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity (consolidated, as the case may be) of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

- Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement for the year, or if it is determined that it has become impaired, once the pre-existing gains in equity have been derecognised, they are taken to the income statement.

At least at each reporting date the Company makes valuation adjustments to financial assets not measured at fair value through profit or loss where there is objective evidence of impairment if the value is less than the carrying amount, in which case the impairment loss is recognised in the income statement. In particular, the Company calculates valuation adjustments relating to trade and other receivables by taking into account the specific insolvency risk of each account receivable.

The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales, "factoring" of trade receivables in which the Company does not retain any credit or interest rate risk, provide any kind of guarantee or assume any other kind of risk. These transactions bear interest at market rates and the factor assumes the risk of insolvency and late payment of the debtor. Fomento de Construcciones y Contratas, S.A. continues to manage collection.

e.2) Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

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

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

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

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

e.3) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and the securities issued are recognised in equity at the proceeds received, after deducting issue costs net of taxes.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the income statement.

e.4) Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Basically, these risks relate to changes in interest rates and the market prices of certain financial instruments. The Company arranges hedging financial instruments in this connection (see Note 13).

In order for these financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Company verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item.

The Company uses cash flow hedges. In hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the income statement in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the initial cost of the asset or liability when it is acquired or assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the year.

Although certain derivatives are not recognised as hedges, this is only for accounting purposes since for financial and management purposes all the hedges arranged by the Company have, at inception, an underlying financial transaction and the sole purpose of hedging such transaction.

Derivatives do not qualify for hedge accounting if the hedge fails the effectiveness test, which requires the changes in the fair value or in the cash flows of the hedged item directly attributable to the risk of the instrument to be offset by changes in the fair value or in the cash flows of the hedging instrument. When this does not occur, the changes in fair value of the instruments not classified as hedges are recognised in the income statement.

The financial derivatives are measured by experts on the subject using generally accepted methods and techniques. These experts were independent from the Company and the entities financing it.

f) Inventories

Inventories are measured at the lower of acquisition or production cost and net realisable value. Trade discounts, rebates, other similar items and interest included in the face value of the related payables are deducted in determining the costs of purchase.

Assets received in payment of loans are measured at the lowest of the following three values: the amount at which the loan relating to the asset was recognised, production cost and net realisable value.

Production cost includes the costs of direct materials and, where applicable, direct labour and production overheads.

Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The Company recognises the appropriate write-downs as an expense in the income statement when the net realisable value of the inventories is lower than acquisition or production cost.

g) Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be “foreign currency transactions” and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the income statement in the year in which they arise.

h) Income tax

The income tax expense is calculated on the basis of profit before tax, increased or decreased, as appropriate, by the permanent differences between taxable profit and accounting profit. Based on the legislation applicable to the Company, the corresponding tax rate is applied to this adjusted accounting profit. Any tax relief and tax credits earned in the year are then deducted and any positive or negative differences between the tax charge estimated for the previous year's accounting close and the amount of tax subsequently paid are added to or deducted from, respectively, the resulting tax charge. Also, the adjustment of the deferred tax assets and liabilities due to changes in the tax rate in force are similarly recognised as an income tax expense.

The temporary differences between the accounting profit and the taxable profit for income tax purposes, together with the differences between the carrying amounts of assets and liabilities recognised in the balance sheet and their tax bases give rise to deferred taxes which are recognised as non-current assets and liabilities. These amounts are measured at the tax rates that are expected to apply in the years in which they will foreseeably reverse, and in no circumstances are they discounted to present value.

The Company recognises the deferred tax assets arising from temporary differences and tax loss carryforwards, except for those with respect to which there are reasonable doubts as to their future recovery or those which are expected to be recovered in a period exceeding ten years.

i) Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

The Company recognises each year as the period result on its contracts the difference between period production (measured at the selling price of the service provided during the period, as specified in the principal contract or in approved amendments thereto, and the selling price of other as yet unapproved services for which there is reasonable assurance of collection) and the costs incurred. Additionally, late-payment interest is recognised as income when it is approved or finally collected.

The difference between the amount of production and the amount billed until the date of the financial statements is recorded as "Unbilled Production" under "Trade Receivables for Sales and Services". Pre-billings for various items are recognised under “Current Liabilities – Trade and Other Payables – Customer Advances”.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

In accordance with the accounting principle of prudence, the Company only records realised income at year-end, whereas foreseeable contingencies and losses, including possible losses, are recognised as soon as they become known, by recording the appropriate provisions.

j) Provisions and contingencies

The Company recognises provisions on the liability side of the accompanying balance sheet for present obligations arising from past events which the Company considers will probably require an outflow of resources embodying economic benefits to settle them on maturity.

These provisions are recognised when the related obligation arises and the amount recognised is the best estimate at the date of the accompanying financial statements of the present value of the future expenditure required to settle the obligation. The change in the year relating to the discount to present value is recognised as interest cost in the income statement.

Provisions for dismantling, removal or rehabilitation and environmental provisions are recognised by increasing the value of the related asset by the present value of the expenses that will be incurred when operation of the asset ceases. The impact on income arises when the asset concerned is depreciated (as described in previous sections of this Note) and when the provisions are discounted to present value (as described in the preceding paragraph).

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

It should be noted that contingent liabilities due to possible obligations that arise from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control, are not recognised in the financial statements as the probability that such obligation will have to be settled is remote.

k) Environmental assets and liabilities

As indicated in Note 1, the Company engages mainly in Environmental Services and Integral Water Management activities which, due to their nature, involve special care in controlling environmental impact. For example, with regard to the operation under concession of landfills, the Company is generally responsible for the sealing, control and reforestation thereof upon completion of its operations. Also, the Company has non-current assets for the protection of the environment and bears any costs required for this purpose in the performance of its business activities.

The acquisition costs of these non-current assets used in environmental conservation are recognised under “Property, Plant and Equipment” or “Intangible Assets” based on the nature of the investment, and are depreciated or amortised over the useful lives of the assets or on the basis of the demand for or the use of the infrastructure in the service concession arrangements. Also, in accordance with current accounting legislation, the Company recognises the expenses and provisions arising from its environmental obligations.

The Company’s environmental policy goes beyond strict compliance with current legislation in the area of environmental improvement and protection to include the establishment of preventative planning and the analysis and minimisation of the environmental impact of the activities carried on by it.

Company management considers that the possible contingencies relating to environmental protection and improvement at 31 December 2014 would not have a significant impact on the accompanying financial statements, which include provisions to cover any probable environmental risks that might arise.

l) Pension obligations

The Company has not established any pension plans to supplement the social security pension benefits. In accordance with the Consolidated Pension Plan and Fund Law, in specific cases where similar obligations exist, the Company externalises its obligations to its employees in this connection.

In addition, following authorisation by the Executive Committee, in the past an insurance policy was arranged and the premium paid to cover the payment of benefits relating to death, permanent occupational disability, retirement bonuses and pensions and other situations for, among other employees, certain

Executive Directors and Executives. In particular, the contingencies giving rise to benefits are those which entail the extinguishment of the employment relationship for any of the following reasons:

- Unilateral decision of the Company.
- Dissolution or disappearance of the Parent for whatever cause, including merger or spin-off.
- Death or permanent disability.
- Other causes of physical or legal incapacity.
- Substantial change in professional terms and conditions.
- Resignation of the executive on reaching 60 years of age, at the request of the executive and with the consent of the Company.
- Resignation of the executive on reaching 65 years of age, by unilateral decision of the executive.

The contributions made by the Company in this connection are recognised under “Staff Costs” in the income statement.

m) Grants

The Company accounts for grants received as follows:

m.1) Non-refundable grants

These are measured at the amount received or the fair value of the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders, which are recognised directly in equity.

m.2) Grants related to income

Grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

n) Use of estimates

In preparing the accompanying financial statements estimates were made by the Company's Directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The recoverability of deferred tax assets (see Note 20).
- The recoverability of the investments in Group companies and associates, and of any loans to or receivables from those companies (see Note 10).
- The evaluation of possible impairment losses on certain assets (see Note 4-c).
- The useful life of intangible assets and property, plant and equipment (see Notes 4-a and 4-b).
- The market value of certain financial instruments (see Note 13).
- The calculation of certain provisions (see Notes 4-j and 16).
- The market value of non-current assets classified as held for sale (see Note 11).

Although these estimates were made on the basis of the best information available at 31 December 2014, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively.

ñ) Related party transactions

The Company performs all its transactions with related parties on an arm's length basis.

Note 23, "Related Party Transactions and Balances" details the main transactions with the significant shareholders of the Company, its Directors and Senior Executives and between Group companies.

o) Non-current assets and associated liabilities classified as held for sale

The Company classifies assets under "Non-Current Assets Classified as Held for Sale" if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

The associated liabilities are classified under "Liabilities Associated with Non-Current Assets Classified as Held for Sale".

5. INTANGIBLE ASSETS

The changes in "Intangible Assets" in the accompanying balance sheet in 2014 and 2013 were as follows:

	Concession arrangements	Concessions	Computer software	Other intangible assets	Accumulated amortisation	Impairment	Total
Balance at 31/12/12	**188,446**	**42,683**	**30,155**	**15,401**	**(107,201)**	**—**	**169,484**
Additions or charge for the year	2,324	4,376	11,267	2,731	(13,229)	—	7,469
Disposals or reductions	(627)	—	(6)	—	18	—	(615)
Transfers	(25,383)	—	261	195	(482)	—	(25,409)
Balance at 31/12/13	**164,760**	**47,059**	**41,677**	**18,327**	**(120,894)**	**—**	**150,929**
Additions or charge for the year	1,372	—	3,940	789	(12,923)	(3,223)	(10,045)
Disposals or reductions	(7,186)	(21,013)	(888)	(204)	841	—	(28,450)
Transfers	—	431	65	(2,532)	1,159	—	(877)
Balance at 31/12/14	**158,946**	**26,477**	**44,794**	**16,380**	**(131,817)**	**(3,223)**	**111,557**

The most significant change in "Concession Arrangements" was the decrease of EUR 5,609 thousand relating to the integral water supply and cleaning management concession in Lleida, operated through a JV, the 50% ownership interest in which was transferred to the other venturer, the wholly-owned investee FCC Aqualia, S.A. The most significant change in 2013 was the transfer to "Non-Current Trade Receivables - Concession Arrangements, Receivables" of the urban solid waste treatment plant in Manises (Valencia).

"Concessions", which relates mainly to businesses carried on through JVs, includes primarily the amounts paid for obtaining the water supply and urban cleaning concessions. The most significant change in 2014 was the decrease of EUR 20,467 thousand relating to the concession indicated in the preceding paragraph. Noteworthy in 2013 were the EUR 4,376 thousand relating to the award of the integral urban cleaning service in the municipality of Alicante.

The balance of "Computer Software" relates mainly to the implementation, development and improvement costs of the corporate information system.

The detail of the intangible assets and of the related accumulated amortisation at 31 December 2014 and 2013 is as follows:

	Cost	Accumulated amortisation	Impairment	Net
2014				
Concession arrangements	158,946	(81,443)	(3,223)	74,280
Concessions	26,477	(18,411)	—	8,066
Computer software	44,794	(21,076)	—	23,718
Other intangible assets	16,380	(10,887)	—	5,493
	246,597	**(131,817)**	**(3,223)**	**111,557**
2013				
Concession arrangements	164,760	(74,995)	—	89,765
Concessions	47,059	(19,125)	—	27,934
Computer software	41,677	(17,172)	—	24,505
Other intangible assets	18,327	(9,602)	—	8,725
	271,823	**(120,894)**	—	**150,929**

Of the net amount of intangible assets, EUR 40,858 thousand relate to assets used in joint ventures (31 December 2013: EUR 73,382 thousand).

At the reporting date, all the intangible assets were used in the various production processes. However, a portion of these intangible assets, basically computer software amounting to EUR 21,818 thousand, had been fully amortised (31 December 2013: EUR 20,360 thousand), while the amounts relating to JVs were not material.

At 31 December 2014, the Company did not have any intangible assets located outside Spain.

6. PROPERTY, PLANT AND EQUIPMENT

The changes in "Property, Plant and Equipment" in the accompanying balance sheet in 2014 and 2013 were as follows:

	Land and buildings	Other items of property, plant and equipment: Plant and other items of property, plant and equipment	Other items of property, plant and equipment: Property, plant and equipment in the course of construction and advances	Accumulated depreciation	Total
Balance at 31/12/12	**100,626**	**896,253**	**14,885**	**(614,173)**	**397,591**
Additions or charge for the year	3,268	23,303	4,647	(70,084)	(38,866)
Disposals or reductions	—	(27,741)	(7)	23,674	(4,074)
Transfers	2,412	10,166	(12,515)	—	63
Balance at 31/12/13	**106,306**	**901,981**	**7,010**	**(660,583)**	**354,714**
Additions or charge for the year	4,281	58,578	4,577	(63,561)	3,875
Disposals or reductions	(7,053)	(48,195)	(27)	50,009	(5,266)
Transfers	3,312	5,631	(4,872)	(1,668)	2,403
Balance at 31/12/14	**106,846**	**917,995**	**6,688**	**(675,803)**	**355,726**

The main changes in "Property, Plant and Equipment" relate to assets associated with the services and water concession arrangements operated by the Company.

The detail of the property, plant and equipment and of the related accumulated depreciation at 31 December 2014 and 2013 is as follows:

	Cost	Accumulated depreciation	Net
2014			
Land and buildings	106,846	(36,084)	70,762
Plant and other items of property, plant and equipment	917,995	(639,719)	278,276
Property, plant and equipment in the course of construction and advances	6,688	—	6,688
	1,031,529	**(675,803)**	**355,726**
2013			
Land and buildings	106,306	(33,790)	72,516
Plant and other items of property, plant and equipment	901,981	(626,793)	275,188
Property, plant and equipment in the course of construction and advances	7,010	—	7,010
	1,015,297	**(660,583)**	**354,174**

The Company owns buildings, the value of which, net of depreciation, and that of the land, were as follows at year-end:

	2014	2013
Land	26,017	26,097
Buildings	44,745	46,419
	70,762	**72,516**

Of the net amount of property, plant and equipment, EUR 51,433 thousand relate to assets used in joint ventures (31 December 2013: EUR 45,618 thousand).

In 2014 and 2013 the Company did not capitalise any borrowing costs to "Property, Plant and Equipment”.

At 2014 year-end the Company held various items of property, plant and equipment under finance leases (see Note 7).

At the reporting date, all the items of property plant and equipment were used in the various production processes. However, a portion of these assets amounting to EUR 351,834 thousand, was fully depreciated (31 December 2013: EUR 347,168 thousand), of which EUR 14,192 thousand were recognised under "Buildings" (31 December 2013: EUR 13,081 thousand) while the amounts relating to JVs were not material.

At 31 December 2014, the Company did not have any significant investments in property, plant and equipment abroad. Similarly, it did not have any significant firm property, plant and equipment purchase commitments.

The Company's property, plant and equipment subject to restrictions on title relate mainly to assets held under finance leases.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2014 year-end the property, plant and equipment were fully insured against these risks.

7. LEASES

a) Finance leases

The Company has recognised assets leased under leases with basically a maximum term of five years and, in general, lease payments payable in arrears. Consequently, the present value of the payments does not differ significantly from their face value. The leased assets include notably the trucks and machinery used in the waste collection and cleaning services provided by the Company.

The detail of the finance leases in force at the end of 2014 and 2013 are as follows:

	2014	2013
Carrying amount	**23,661**	**24,761**
Accumulated depreciation	8,284	6,656
Cost of the assets	**31,945**	**31,417**
Finance costs	3,220	2,962
Capitalised cost of the assets	**35,165**	**34,379**
Lease payments paid in the year	(5,899)	(7,061)
Lease payments paid in prior years	(11,652)	(8,237)
Lease payments outstanding, including purchase option	**17,614**	**19,081**
Unaccrued finance charges	(1,175)	(1,021)
Present value of lease payments outstanding, including purchase option	**16,439**	**18,060**
Contract term (years)	3 to 5	2 to 5
Value of purchase options	223	223

The payment dates of the outstanding lease payments of the committed payments are shown in Note 17.

The finance leases arranged by the Company do not include lease payments the amount of which must be determined on the basis of future economic events or indices and, accordingly, in 2014 no expense was incurred in connection with contingent rent.

b) Operating leases

The Company makes operating lease payments basically for the use of buildings and structures relating to the Central Services offices in Madrid and Barcelona, and for the leases of premises and industrial buildings used by the Company as offices, warehouses, changing rooms and garages in the course of its activities.

The amount relating to the aforementioned leases in 2014 totalled EUR 39,842 thousand (31 December 2013: EUR 42,395 thousand).

Also worthy of note among the operating lease agreements entered into by Fomento de Construcciones y Contratas, S.A. due to the magnitude of the sums involved are those relating to the corporate headquarters of the FCC Group:

- Office buildings located at Federico Salmón, 13, Madrid and Balmes, 36, Barcelona.
  On 29 December 2011, the owners of these buildings and Fomento de Construcciones y Contratas, S.A. entered into two lease agreements relating thereto for a minimum period of 30 years, extendable for two five-year periods at the discretion of the Company, with an initial annual rent adjustable based on the CPI. These buildings were transferred by the Company to their current owners under a sale and leaseback agreement. The owners, in turn, granted a purchase option to Fomento de Construcciones y Contratas, S.A., which can be exercised only at the end of the lease term at the higher of fair value and the CPI-adjusted selling price.

- Office building located in Las Tablas (Madrid).
  On 19 December 2010, the owner and the Company entered into an agreement to lease the aforementioned building, the lease period commencing once construction of the building had been completed on 23 November 2012. The term of this lease is 18 years, extendable at the Company's discretion by two five-year periods, each with an annual rent adjustable each year based on the CPI.

At 2014 year-end there were non-cancellable future committed payments in relation to the aforementioned items amounting to EUR 355,095 thousand (2013: EUR 325,008 thousand). The detail, by maturity, of the non-cancellable future minimum payments at 31 December 2014 and 2013 is as follows:

	2014	2013
Within one year	34,081	27,999
Between one and five years	104,314	89,035
After five years	216,700	207,974
	355,095	**325,008**

As the lessor in leases the Company bills the FCC Group investees on the basis of the use they make of the related properties and recognises these amounts as operating income.

8. SERVICE CONCESSION ARRANGEMENTS

This Note presents an overview of the Company's investments in concession businesses, mainly Environmental Services and Integral Water Management, which are recognised within the following balance sheet line items: intangible assets for the concessions classified as intangible assets and non-current and current trade receivables for the concessions classified as financial assets (see Note 4-a.1).

The following table details, by asset class and concession activity, the total amount of the assets held by the Company under service concession arrangements.

	Environmental Services	Integral Water Management	Total
2014			
Intangible assets	54,568	19,712	74,280
Financial assets	31,641	—	31,641
	86,209	**19,712**	**105,921**
2013			
Intangible assets	57,621	32,144	89,765
Financial assets	32,521	—	32,521
	90,142	**32,144**	**122,286**

The detail of the Company's most significant service concession arrangements is as follows:

a) Intangible assets

- El Campello urban solid waste treatment plant.
  Construction and operation of the El Campello (Alicante) Integrated Urban Solid Waste Centre. It was granted to the Company in 2003 and the construction phase was completed in November 2008, when the initial operation phase of 20 years began, which was subsequently extended to 21 years and 9 months. The net assets relating to the aforementioned arrangement total EUR 40,955 thousand (31 December 2013: EUR 43,196 thousand).

- Integrated management of the municipal water supply and sewerage service of Vigo.
  Grant to the Aqualia-FCC-Vigo joint venture (50% Fomento de Construcciones y Contratas, S.A. and 50% FCC Aqualia, S.A., wholly owned by the Company) of the operation of the concession, including investments for the extension, renovation and/or upgrade of the existing infrastructures that the grantor placed at the disposal of the joint venture. It was granted in 1991 for an initial term of 25 years, extendible for five-year periods up to a maximum legal term of 50 years. The grantor extended the concession in 2011 for an additional five years until 2020. The net assets relating to the aforementioned arrangement total EUR 17,670 thousand (31 December 2013: EUR 20,916 thousand).

b) Financial assets

- Urban solid waste treatment plant in Manises (Valencia).
  Grant to the Gestión Instalación III joint venture (in which Fomento de Construcciones y Contratas, S.A. holds a 34.99% interest) for the construction and operation of the urban solid waste management system of certain areas of the province of Valencia. It was granted in 2005 for an initial period of 20 years from the operational start-up of the plant which occurred in December 2012. As a result of an amendment to the arrangement, this concession was reclassified as a financial asset in 2013. The assets relating to the aforementioned arrangement amount to EUR 28,188 thousand (31 December 2013: EUR 28,884 thousand).

9. NON-CURRENT AND CURRENT FINANCIAL INVESTMENTS

a) Non-current financial investments

The detail of "Non-Current Financial Investments" at the end of 2014 and 2013 is as follows:

	Equity instruments	Loans to third parties	Derivatives	Other financial assets	Total
2014					
Loans and receivables	—	29,377	—	8,879	38,256
Available-for-sale financial assets	20,611	—	—	—	20,611
Held-for-trading financial assets	—	—	1,820	—	1,820
Other financial assets at fair value through profit or loss	—	—	—	3,921	3,921
	20,611	**29,377**	**1,820**	**12,800**	**64,608**
2013					
Loans and receivables	—	29,377	—	5,295	34,632
Available-for-sale financial assets	20,611	—	—	—	20,611
	20,611	**29,377**	**—**	**5,295**	**55,243**

The detail, by maturity, of the loans and receivables is as follows:

	2015	2016	2017	2018	2019 and subsequent years	Total
Loans and receivables	5,747	336	498	299	31,376	38,256

Loans and receivables

The loans and receivables include basically the participating loans granted to Xfera Móviles, S.A. This heading also includes the guarantees and deposits relating to legal and contractual obligations in the pursuit of the Company's business activities, and long-term deposits, together with the amounts granted to public entities to carry out works and build facilities in the water supply network. With regard to Xfera Móviles, S.A., it is important to note that at 31 December 2014, Fomento de Construcciones y Contratas, S.A. had granted loans to this company totalling EUR 24,114 thousand (2013: same amount) and had provided guarantees for it amounting to EUR 12,384 thousand (2013: same amount).

Available-for-sale financial assets

The detail at 31 December 2014 and 2013 is as follows:

	Effective percentage of ownership	Fair value
2014		
Vertederos de Residuos, S.A.	16.03%	9,128
Xfera Móviles, S.A.	3.44%	11,215
Other		268
		20,611
2013		
Vertederos de Residuos, S.A.	16.03%	9,128
Xfera Móviles, S.A.	3.44%	11,215
Other		268
		20,611

b) Current financial investments

At 2014 year-end substantially all the "Current Financial Investments" were loans and receivables.

10. INVESTMENTS IN AND PAYABLES TO GROUP COMPANIES AND ASSOCIATES

a) Non-current investments in Group companies and associates

The detail of “Non-Current Investments in Group Companies and Associates” at 31 December 2014 and 2013 is as follows:

	Cost	Accumulated impairment losses	Total
2014			
Equity instruments of Group companies	4,316,102	(1,991,090)	2,325,012
Equity instruments of associates	423,780	(337,428)	86,352
Loans to Group companies	1,166,812	(32,948)	1,133,864
Loans to associates	26	—	26
Other financial assets	200,000	—	200,000
	6,106,720	**(2,361,466)**	**3,745,254**
2013			
Equity instruments of Group companies	2,378,801	(299,186)	2,079,615
Equity instruments of associates	21,540	(4,311)	17,229
Loans to Group companies	1,687,717	(882,467)	805,250
	4,088,058	**(1,185,964)**	**2,902,094**

The changes in the line items in the foregoing table are as follows:

	Equity instruments of Group companies	Equity instruments of associates	Loans to Group companies	Loans to associates	Derivatives	Other financial assets	Impairment	Total
Balance at 31/12/12	**2,303,958**	**736,431**	**1,968,406**	**6,244**	**217**	**—**	**(905,140)**	**4,110,116**
Additions or charge for the year	401,051	59,732	122,080	133	—	—	(524,555)	58,441
Disposals or reversals	(326,208)	(119,827)	(402,769)	(6,377)	(119)	—	66,193	(789,107)
Transfers	—	(654,796)	—	—	(98)	—	177,538	(477,356)
Balance at 31/12/13	**2,378,801**	**21,540**	**1,687,717**	**—**	**—**	**—**	**(1,185,964)**	**2,902,094**
Additions or charge for the year	1,938,021	3,842	690,670	—	—	200,000	(845,191)	1,987,342
Disposals or reversals	(720)	(733)	(1,211,575)	—	—	—	(2,065)	(1,215,093)
Transfers	—	399,131	—	26	—	—	(328,246)	70,911
Balance at 31/12/14	**4,316,102**	**423,780**	**1,166,812**	**26**	**—**	**200,000**	**(2,361,466)**	**3,745,254**

Equity instruments of Group companies

The most significant changes in 2014 detailed in the foregoing table were as follows:

- Subscription of the full amount of the capital increase with a monetary contribution of the wholly-owned investee Azincourt Investments, S.L. in January totalling EUR 98,583 thousand.

- Subscription of the full amount of the capital increase of EUR 1,347,100 thousand at Azincourt Investments, S.L. in May by converting into capital the Company's accounts receivable from this investee (EUR 1,100,728 thousand of long-term receivables and EUR 246,372 thousand of short-term receivables). In 2014 an additional impairment loss of EUR 480,000 thousand was recognised as a result of the impairment on the property, plant and equipment of FCC Environment (UK) due to the planned closure of certain unprofitable landfills with volumes much lower than estimated as a result of the UK landfill tax.

- Subscription of the full amount of the capital increase of EUR 110,847 thousand at Cementos Portland Valderrivas, S.A. in May by converting into capital the loan previously granted by the Company.

- Shareholder contribution of EUR 370,000 thousand to the equity of the wholly-owned investee FCC Construcción, S.A. by converting accounts receivable into share capital. In addition, the Company recognised an impairment loss of EUR 350,000 thousand on the investment in FCC Construcción, S.A. as a result of the reduction in the present value of the expected cash flows. The assumptions used in this estimate envisage the maintenance of the current moderate level of activity in the domestic market, in both infrastructure and construction, partially offset by international activity. The time horizon of the expected cash flows is five years, using a zero growth rate to calculate the perpetual return, which accounts for 81% of the recoverable amount. The discount rate used was 6.70%.

The following changes were worthy of note in 2013:

- Contribution to the equity of the wholly-owned subsidiary FCC Construcción, S.A. of the participating loan granted to this company in 2012 amounting to EUR 400,000 thousand. In addition, the Company recognised an impairment loss of EUR 273,116 thousand on the investment in FCC Construcción, S.A. as a result of the reduction in the present value of the expected cash flows. The assumptions used in this estimate envisage the maintenance of the current moderate level of activity in the domestic market, in both infrastructure and construction, partially offset by international activity. The time horizon of the expected cash flows is five years, using a zero growth rate to calculate perpetual return. The discount rate used was 7.20%.

- The wholly-owned investee (directly and indirectly) Fedemes, S.L. repaid the non-monetary contribution of EUR 325,374 thousand made by the Company in 2012.

- Merger by absorption of Corporación Financiera Hispánica, S.A., Compañía Auxiliar de Agencia y Mediación, S.A., Puerto Cala Merced, S.A. and Eusko Lanak, S.A., all of which were wholly-owned investees (directly and indirectly) of Fomento de Construcciones y Contratas, S.A., into Per Gestora Inmobiliaria, S.L. (absorbing company), the only result of which was that the investment in the absorbed companies was reclassified to the investment in the absorbing company. As a result, the investment in Per Gestora Inmobiliaria, S.L. increased to EUR 71,543 thousand.

The detail, by company, of the investments in Group companies and associates is presented in Appendices I and III, respectively, indicating for each company in which a direct ownership interest is held the company name, registered office, line of business, the percentage of the capital held directly or indirectly, the amount of equity (capital, reserves and other), profit or loss, dividends received, whether or not it is listed and the carrying amount of the ownership interest.

Equity instruments of associates

The most significant changes shown in the foregoing table in relation to 2014 were due mainly to the following reclassifications from "Non-Current Assets Classified as Held for Sale”:

- The 49% holding in FM Green Power, S.L., after the sale of 51% of the shares had been formalised (see Note 11), with a cost of EUR 273,972 thousand and related accumulated impairment of EUR 266,286 thousand.

- The investment in Realia Business, S.A., with a cost of EUR 125,617 thousand and related accumulated impairment of EUR 66,090 thousand, as a result of the change of strategy of FCC Group management, who decided not to sell the ownership interest in this company (see Note 1).

The most significant changes in 2013 were as follows:

- The sale of Proactiva Medio Ambiente, S.A. and Proactiva Doña Juana E.S.P.S.A., which had an investment value of EUR 119,827 thousand and accumulated impairment losses of EUR 64,951 thousand, thereby generating a gain of EUR 63,094 thousand, which was recognised under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the income statement.

- A capital increase at Realia Business, S.A. amounting to EUR 7,199 thousand, with a share premium of EUR 50,391 thousand, with the increase being subscribed in full through the conversion into capital of the participating loan granted by the Company in prior years.

- Reclassification to "Non-Current Assets Classified as Held for Sale" of the investments in and impairment losses on Realia Business, S.A. and Globalvia Infraestructuras, S.A.

Long-term loans to Group companies

The most significant amounts are as follows:

	2014	2013
FCC Aqualia, S.A.	375,683	153,750
FCC Versia, S.A.	168,023	140,000
FCC Medio Ambiente, S.A.	136,716	—
FCC PFI Holdings Limited	100,835	93,507
FCC Construcción, S.A.	76,123	—
FCC Ámbito, S.A.	44,682	—
Enviropower Investment Ltd.	43,495	37,783
FCC Industrial e Infraestructuras Energ., S.A.	34,414	—
Dédalo Patrimonial, S.L.U.	32,948	29,004
Cementos Portland Valderrivas, S.A.	20,000	108,207
Asa Abfall Service AG	14,000	14,000
Servià Cantó, S.A.	10,709	—
Mantenimiento de Infraestructuras, S.A.	10,008	—
Azincourt Investment, S.L.	—	1,100,728
Other	99,176	10,738
	1,166,812	**1,687,717**
Impairment:		
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	(32,948)	(29,004)
Azincourt Investment, S.L. (Sole-Shareholder Company)	—	(853,463)
	1,133,864	**805,250**

The following should be noted in relation to the foregoing table:

- Loans arising from the refinancing process. Under the refinancing agreements described in Note 17, the Company assumed, expressly, irrevocably and unconditionally, as the debtor, the contractual position of the subsidiaries vis-à-vis the existing syndicated financing and credit facilities, which led, in turn, to the execution of loan agreements between Fomento de Construcciones y Contratas, S.A. and the subsidiaries. These loans total EUR 631,547 thousand, the detail being as follows.

FCC Aqualia, S.A.	202,449
FCC Medio Ambiente, S.A.	136,606
FCC Construcción, S.A.	76,062
FCC Ámbito, S.A.	44,646
FCC Industrial e Infraestructuras Energéticas, S.A.	34,386
FCC Versia, S.A.	28,000
Servià Cantó, S.A.	10,700
Mantenimiento de Infraestructuras, S.A.	10,000
Other	88,698
	631,547

The interest rate to apply is the effective rate assumed by Fomento de Construcciones y Contratas, S.A. in the refinancing.

- Decrease as a result of the conversion of collection rights into capital explained in the section relating to "Equity instruments of Group companies": Azincourt Investments, S.L." (EUR 1,100,728 thousand) and Cementos Portland Valderrivas, S.A. (EUR 110,847 thousand).

- The participating loan of EUR 149,250 thousand granted on 1 May 2010 to the subsidiary FCC Aqualia, S.A. matures annually and is automatically renewable for successive one-year periods. The interest is calculated on the basis of various accounting indicators of the borrower. This loan earned interest of EUR 5,584 thousand in 2014 (2013: EUR 5,736 thousand).

- The long-term loan of EUR 140,000 thousand granted on 9 February 2007 to the investee FCC Versia, S.A., which initially matured in two years, automatically extendable for additional successive two-year periods. The interest rate is established on the basis of the average 3-month Euribor of the month prior to the month on which it is to be revised, plus a spread of 0.75%. At 2014 year-end this loan had earned interest of EUR 1,509 thousand (31 December 2013: EUR 1,445 thousand).

- Subordinated loan of EUR 20,000 thousand granted to Cementos Portland Valderrivas, S.A. in September 2014, initially maturing in December 2016 and associated with this company's refinancing.

The other loans relate to amounts granted to Group companies that mature in more than one year and earn interest at market rates.

b) Current investments in Group companies and associates

"Current Investments in Group Companies and Associates" includes basically the loans and other non-trade credit facilities granted to Group companies and associates to cater, inter alia, for certain specific cash situations, and other short-term investments. These investments are measured at the lower of cost and market value, plus the related interest at market rates.

The most significant amounts are as follows:

	2014	2013
Azincourt Investment, S.L. (Sole-Shareholder Company)	188,286	315,727
FCC Medio Ambiente, S.A.	86,747	116,266
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	66,971	63,446
FCC Construcción, S.A.	57,325	307,783
FCC Aqualia, S.A.	36,763	29,936
FCC Environment (UK) Ltd.	29,357	27,121
Per Gestora Inmobiliaria, S.L.	15,020	41,612
FCC PFI Holdings Group	10,903	6,792
Other	73,242	64,520
	553,711	**973,203**
Impairment:		
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	(52,793)	(44,246)
Other	(6,544)	(4,384)
	494,374	**924,573**

These loans mature annually and earn interest at market rates.

c) Other non-current financial assets

The Company has made a commitment to provide financial support to Cementos Portland Valderrivas, S.A. for a maximum amount of EUR 200,000 thousand (see Note 10-d).

d) Non-current payables to Group companies and associates

These relate substantially in full to the payables to Cementos Portland Valderrivas, S.A. for the contingent contribution discussed above. The related amount has already become claimable. However, in fulfilment of the obligations assumed in the refinancing agreement of Fomento de Construcciones y Contratas, S.A. (see Note 17), on 24 March 2014 an agreement was formalised whereby the contingent capital contribution was deferred until the date of final maturity of the Company's refinancing agreement. Subsequently, the new restructuring framework agreement entered into on 21 November provided for the partial contribution of EUR 100,000 thousand, which were disbursed on 5 February 2015.

e) Current payables to Group companies and associates

The most noteworthy balances of "Current Payables to Group Companies and Associates", which includes the loans received by the Company bearing interest at market rates and trade accounts payable to those companies, recognised on the liability side of the accompanying balance sheet, are as follows:

	2014	2013
FCC Versia, S.A.	197,169	178,703
FCC Aqualia, S.A.	137,215	60,799
Per Gestora, S.L.	64,832	—
Fedemes, S.L.	35,857	35,559
Ecoparque Mancomunidad del Este, S.A.	24,979	22,120
Dédalo Patrimonial, S.L.U.	17,627	1,496
Castellana de Servicios, S.A.	12,000	—
FCC Medio Ambiente, S.A.	11,429	5,091
FCC Construcción, S.A.	10,914	132,089
Asesoría Financiera y de Gestión, S.A.	—	44,932
Azincourt Investment, S.L.	—	11,066
Other	37,881	24,227
	549,903	**516,082**

11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

At 2014 year-end Fomento de Construcciones y Contratas, S.A., the Parent of the FCC Group, presented its ownership interest in Globalvia Infraestructuras, S.A. (Infrastructure Management business) as "Non-Current Assets Classified as Held for Sale" for EUR 225,000 thousand. Also, in 2014 EUR 41,000 thousand were collected, relating to the reimbursement of that company's share premium. The impairment losses on the non-current assets classified as held for sale amount to EUR 9,000 thousand and are recognised under "Impairment and Gains of Losses on Disposals of Financial Instruments".

In 2014 51% of FM Green Power, S.L. (Sole-Shareholder Company) was sold for EUR 8,000 thousand. The remaining 49%, with a carrying amount of EUR 7,686 thousand, was classified under "Equity Instruments of Associates".

Lastly, the investment in Realia Business, S.A. was reclassified to "Equity Instruments of Associates" as a result of the decision adopted by Company management not to sell it (see Note 1).

12. TRADE RECEIVABLES FOR SALES AND SERVICES

"Trade Receivables for Sales and Services" in the accompanying balance sheet includes the present value of the Company's sales and services.

	2014	2013
Production billed not yet collected	276,229	304,594
Unbilled production	134,174	125,984
Trade receivables for sales and services	410,403	430,578
Customer advances	(17,227)	(16,592)
Total trade receivables, net	**393,176**	**413,986**

The foregoing total is the net balance of trade receivables after deducting the balance of “Other Payables - Customer Advances” on the liability side of the accompanying balance sheet which, as required by accounting regulations, includes the collected and uncollected pre-billings for various items and the advances received (normally in cash).

"Production Billed Not Yet Collected" reflects the amount of the billings issued to customers for services provided not yet collected at the balance sheet date.

"Unbilled Production" reflects the difference between the production recognised by the Company on each contract and the amount of the billings issued to the customers. The balance of this account relates basically to the price revisions under the various contracts which, although as yet unapproved, the Company considers will be duly billed since there are no doubts as to their being accepted.

The Company factors trade receivables to banks without recourse against Fomento de Construcciones y Contratas, S.A. in the event of default. The amount deducted from the trade receivables balance at 2014 year-end in this connection amounted to EUR 46,806 thousand (31 December 2013: EUR 97,401 thousand).

Of the net balance of trade receivables, EUR 66,376 thousand (31 December 2013: EUR 72,518 thousand) relate to balances from contracts performed through joint ventures.

13. DERIVATIVE FINANCIAL INSTRUMENTS

The detail of the assets and liabilities relating to derivatives included under “Other Non-Current Financial Assets”, “Non-Current Payables - Other Financial Liabilities” and “Current Payables - Other Financial Liabilities” in the accompanying balance sheet and of the related effects on equity and the income statement is as follows:

	Fair value			
	Assets (Note 9)	Liabilities (Note 17)	Impact on equity	Impact on the income statement
2014				
Hedging derivatives	—	2,609	(1,941)	(223)
Other derivatives	1,820	223	—	9,038
	1,820	**2,386**	**(1,941)**	**8,815**
2013				
Hedging derivatives	—	5,962	(4,234)	—
Other derivatives	274	39,490	—	18,344
	274	**45,452**	**(4,234)**	**18,344**

Hedging derivatives

Following is a detail of the hedging derivatives arranged by the Company for 2014 and 2013, all of which are cash flow hedges, subdivided according to the hedged transaction, and including the type of derivative, the amounts arranged or notional amounts, the expiry date, the fair value at year-end, the impact on equity net of the related tax effect and the impact on the income statement in respect to the ineffective portion:

2014

Hedged transaction	Type of derivative	Amount arranged	Expiry	Fair value		Impact on equity	Impact on the income statement
				Assets	Liabilities		
Other payables (Note 17-b)	IRS	8,881	02/04/24	—	1,345	(923)	(105)
	IRS	4,441	02/04/24	—	673	(462)	(52)
	IRS	2,845	02/04/24	—	431	(296)	(34)
	IRS	2,506	02/04/24	—	382	(260)	(32)
Total				—	**2,831**	**(1,941)**	**(223)**

2013

Hedged transaction	Type of derivative	Amount arranged	Expiry	Fair value		Impact on equity
				Assets	Liabilities	
Syndicated loan (Note 17-b)	IRS	612,500	08/05/14	—	4,219	(2,953)
					4,219	**(2,953)**
Other payables (Note 17-b)	IRS	9,364	02/04/24	—	824	(577)
	IRS	4,682	02/04/24	—	412	(288)
	IRS	3,000	02/04/24	—	267	(187)
	IRS	2,643	02/04/24	—	240	(168)
				—	**1,743**	**(1,220)**
Share option plan (Note 15)	CALL	37,065	10/02/14	—	—	(61)
				—	—	**(61)**
Total				—	**5,962**	**(4,234)**

The detail, by maturity, of the notional amount of the hedging transactions arranged at 31 December 2014 is as follows:

	Notional maturity				
	2015	2016	2017	2018	2019 and subsequent years
IRS (other payables)	1,062	1,135	1,154	1,179	14,143

Other derivatives

Following is the detail for 2014 and 2013 of the derivative financial instruments that do not qualify for hedge accounting, subdivided according to the hedged transaction, and including a detail of the type of derivative, the amounts arranged or the notional amount, the expiry date, the fair value at year-end and the impact on the income statement under "Changes in Fair Value of Financial Instruments":

2014

	Type of derivative	Amount arranged	Expiry	Fair value		Impact on the income statement
				Assets	Liabilities	
Share option plan (Note 15)	PUT	53,838	20/01/14	—	—	3,368
	PUT	37,065	10/02/14	—	—	234
	Swap	53,838	10/01/14	—	—	3,699
	Swap	37,065	10/02/14	—	—	(83)
				—	—	**7,218**
Convertible bonds (Note 14-e)	Trigger call	449,800	30/10/20	1,820	—	1,820
				1,820	—	**1,820**
				1,820	**—**	**9,038**

2013

	Type of derivative	Amount arranged	Expiry	Fair value		Impact on the income statement
				Assets	Liabilities	
Share option plan (Note 15)	PUT	53,838	20/01/14	—	25,559	11,900
	PUT	37,065	10/02/14	—	13,410	10,603
	Swap	53,838	20/01/14	—	234	(1,797)
	Swap	37,065	10/02/14	—	13	(2,038)
				—	**39,216**	**18,668**
Convertible bonds (Note 14-e)	Trigger call	450,000	31/10/14	—	—	(324)
				—	—	**(324)**
Exchange rate hedge	IRS	73,201	21/03/14	274	—	(1,190)
	IRS	36,600	21/03/14	—	137	595
	IRS	36,600	21/03/14	—	137	595
				274	**274**	—
				274	**39,490**	**18,344**

14. EQUITY

On 27 November 2014, the Board of Directors of Fomento de Construcciones y Contratas, S.A. resolved to increase capital by a par value of EUR 133,269,083 by issuing 133,269,083 new ordinary shares of EUR 1 par value each, which were admitted to listing on the Spanish Stock Market Interconnection System on 22 December 2014. Capital was increased with a share premium of EUR 6.5 for each of the new shares issued, which resulted in an increase of EUR 841,749 in the total share premium, including the expenses, net of tax, incurred in the capital increase, which amounted to EUR 24,500 thousand.

The funds obtained through the capital increase were used partially to repay the debt relating to Tranche B of the financial borrowings of Fomento de Construcciones y Contratas, S.A. regulated in the refinancing agreement in force from 26 June 2014 amounting to EUR 900,000 thousand, after a 15% debt reduction granted by the lender banks amounting to EUR 135,000 thousand. In addition, EUR 100,000 thousand were used to cater for the financing needs of Azincourt Investment, S.L. and another EUR 100,000 thousand were used to repay the debt to Cementos Portland Valderrivas, S.A. arising from the financial support agreement entered into between Fomento de Construcciones y Contratas, S.A. and its creditor banks. This latest contribution to Cementos Portland Valderrivas, S.A. was paid on 5 February 2015.

The impact on equity of the capital increase at Fomento de Construcciones y Contratas, S.A. is detailed in the following table:

Capital increase	133,269
Share capital	**133,269**
Increase in share premium	866,249
Expenses incurred in the capital increase, net of tax	(24,500)
Share premium	**841,749**
Income due to debt reduction	135,000
Initial arrangement fees recognised in the income statement	(35,114)
Tax effect	(29,966)
Profit (Loss) for the year	**69,920**
Total effect on equity	**1,044,938**

a) Share capital

Following the capital increase, the share capital of Fomento de Construcciones y Contratas, S.A. now consists of 260,572,379 book-entry ordinary shares of EUR 1 par value each.

All the shares carry the same rights and have been fully subscribed and paid.

The shares of Fomento de Construcciones y Contratas, S.A. are included in the selective IBEX 35 index, are publicly listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges and are traded through the Spanish stock market interconnection system.

With regard to share capital of over 10% owned by other companies either directly or through their subsidiaries, according to information furnished and as a result of the capital increase, Control Empresarial de Capitales, S.A. de C.V., which is wholly owned by Inmobiliaria Carso, S.A. de C.V., which is in turn controlled by the Slim family, owns 25.63%. Also, B-1998, S.A. holds a direct and indirect ownership interest of 22.43% in the share capital following the sale of their interests in the share capital of B-1998, S.A. by the non-controlling shareholders Larranza XXI, S.L. and CaixaBank, S.A. B-1998 S.A. is controlled by Ms Esther Koplowitz Romero de Juseu (100% after the change in the shareholder structure communicated on 19 January 2015).

Ms Esther Koplowitz Romero de Juseu also directly owns 123,313 shares of Fomento de Construcciones y Contratas, S.A., as well as 39,214 shares indirectly through Dominum Desga, S.A., Ejecución y Organización de Recursos, S.L., E.A.C. Inversiones Corporativas, S.L. and Dominum Dirección y Gestión, S.A.

b) Share premium

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

c) Reserves

The detail of "Reserves" in 2014 and 2013 is as follows:

	2014	2013
Legal reserve	26,114	26,114
Other reserves	896,085	896,080
	922,199	**922,194**

Under the Consolidated Text of the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve cannot be distributed to shareholders except in the event of liquidation.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

"Other Reserves" includes most notably EUR 6,034 thousand of restricted reserves, equal to the par value of the treasury shares retired in 2002 and 2008 which, in accordance with Article 335.c of the Spanish Limited Liability Companies Law, are restricted, unless the same requirements as those stipulated for capital reductions are met.

d) Treasury shares

At 31 December 2014, the Company held 232,747 treasury shares (31 December 2013: 280,670 treasury shares), accounting for 0.09% of the share capital and amounting to EUR 5,278 thousand (31 December 2013: EUR 6,103 thousand). The sale of treasury shares in 2014 gave rise to a gain of EUR 5 thousand (2013: loss of EUR 40,806 thousand), and this amount is included under “Other Reserves - Treasury Share Transactions (Net)” in the accompanying balance sheet.

e) Other equity instruments

In accordance with recognition and measurement standard 9 of the Spanish National Chart of Accounts, "Other Equity Instruments" includes the measurement of the equity component resulting from accounting for the issue of bonds convertible into shares of the Company, which when added to the amount expressed under "Debt Instruments and Other Marketable Securities" in the accompanying balance sheet, makes up the total amount of the issue of such bonds.

In October 2009 Fomento de Construcciones y Contratas, S.A. launched an issue of bonds exchangeable for shares of the Company, maturing on 30 October 2014. Certain terms and conditions were amended and approved by the General Assembly of the Syndicate of Bondholders on 5 May 2014 and by the shareholders at the Company's Annual General Meeting on 23 June 2014, as indicated in Note 17-a). The main features following the amendments are as follows:

- The amount of the issue was EUR 450,000,000 with final maturity on 30 October 2020.
  On 12 May 2014, EUR 200,000 of bonds were converted into 5,284 treasury shares of the Company.

- The bonds were issued at par and with a face value of EUR 50,000.

- The bonds accrue interest at a fixed annual rate of 6.50% payable every six months.

- The exchange price of the bonds for shares of the Company was adjusted and set at EUR 30.00 per ordinary share, resulting in each nominal amount of EUR 50,000 in bonds entitling the owner to receive 1,666.66 ordinary shares. Subsequently, and as a result of the dilution arising from the capital increase, the conversion price was adjusted to EUR 22.19 per ordinary share, effective from 1 December 2014, resulting in each nominal amount of EUR 50,000 in bonds entitling the owner to receive 2,253.27 ordinary shares.

- The entitlement to convert the bonds may be exercised at the request of each of the holders, at any time until 30 October 2020, pursuant to the terms and conditions of the bonds.

- A new case of optional repayment for the issuer from 30 October 2018 is included.

- Following the restructuring, the convertible bonds are no longer subordinated.

The shareholders at the Annual General Meeting held on 23 June 2014 at which the terms and conditions of the bonds were amended also adopted the following relevant resolutions in relation to the bonds:

- The disapplication of pre-emption rights required by the approval of the amendments to the terms and conditions that would otherwise have corresponded to the Company's shareholders in relation to the bonds pursuant to Article 416 of the Spanish Limited Liability Companies Law.

- In accordance with Article 414 of the Spanish Limited Liability Companies Law, it was resolved to increase the Company's capital by the amount required to cater for the conversion of such bonds as the holders thereof might request pursuant to the amended terms and conditions of the bonds up to an initially envisaged maximum of EUR 15,000,000 corresponding to 15,000,000 new shares, but subject to possible modifications based on the amended terms and conditions. This capital increase will be carried out, in full or in part, by the Board of Directors, with express powers of delegation to any of the Board members, whenever necessary in order to cater for the conversion of the bonds, through the issue of new ordinary shares with the same par value and carrying the same rights as the ordinary shares outstanding on the date or dates on which the capital increase resolution is implemented.

It should also be noted in relation to this transaction that the Company has a trigger call option that allows it to call the bonds under certain circumstances (Trigger Call) (see Note 13).

f) Valuation adjustments

The detail of "Valuation Adjustments" is as follows:

	2014	2013
Available-for-sale financial assets (Note 9)	8,059	8,059
Hedges (Note 13)	(1,941)	(4,234)
	6,118	**3,825**

g) Grants

The accompanying balance sheet includes grants received amounting to EUR 6,879 thousand (31 December 2013: EUR 6,642 thousand), net of the tax effect, with EUR 5,260 thousand having been taken to the income statement (31 December 2013: EUR 5,113 thousand), of which EUR 261 thousand related to 2014 (31 December 2013: EUR 251 thousand) The aforementioned amount relates mainly to grants received by the joint ventures through which the Company jointly performs contracts.

15. EQUITY INSTRUMENT-BASED TRANSACTIONS

In accordance with a resolution adopted by the Board of Directors on 29 July 2008, Fomento de Construcciones y Contratas, S.A. had a cash settlement-based remuneration plan in force for the Executive Directors and Executives linked to the value of the Company's shares. The participants in the plan would have received a cash amount equivalent to the difference between the value of the shares at the date of exercise and at the reference date set in the plan. This plan was divided into two tranches with final maturities in October 2013 and February 2014, respectively. The value of the share during the exercise period did not at any time exceed the exercise price set and, accordingly, no option was exercised in either case. Consequently, no cash outflow took place.

Initially, the Company arranged with financial institutions a call option and a put option for each of the tranches described above, together with an interest rate/dividend swap with the same exercise price, nominal amount and maturity as the plan. The treasury shares linked to this hedge were delivered to the aforementioned financial institutions. On final maturity of the transaction in February 2014, the aforementioned derivative instruments were settled. The impact on results is described in Note 13 to the accompanying financial statements.

16. LONG-TERM AND SHORT-TERM PROVISIONS

a) Long-term provisions

The changes in 2014 were as follows:

	Actions on infrastructure	Litigation	Liability and contingencies	Guarantees and contractual and legal obligations	Other	Total
Balance at 31/12/12	**19,753**	**91,178**	**113,848**	**41,395**	**31,512**	**297,686**
Charge for the year	1,867	164	13,601	70,919	6,888	93,439
Amounts used	(942)	(60,689)	—	(1,934)	(574)	(64,139)
Reversals	—	(30,248)	(2,801)	(13,879)	(27,491)	(74,419)
Balance at 31/12/13	**20,678**	**405**	**124,648**	**96,501**	**10,335**	**252,567**
Charge for the year	1,435	12	71,482	2,738	500	76,167
Amounts used	(2,992)	(15)	(12)	(3,211)	(73)	(6,303)
Reversals	(5,837)	(17)	—	(8,045)	(394)	(14,293)
Balance at 31/12/14	**13,284**	**385**	**196,118**	**87,983**	**10,368**	**308,138**

Provisions for actions on infrastructure

Under the service concession arrangements, these provisions cover the actions required to hand over the infrastructure at the end of the concession term, namely dismantling, removing or restoring these assets, replacement and major repair work and actions taken to upgrade the infrastructure and increase its capacity. Also, provisions to replace and repair the infrastructure are systematically recognised in the income statement as the obligation is incurred (see Note 4-a.1).

Provisions for litigation

Provisions for litigation cover the Company's contingencies when it acts as defendant in certain proceedings in relation to the liability inherent to the business activities carried on by it. The lawsuits, although numerous, are not expected to have an impact on the Company according to estimates regarding their final outcomes.

Provisions for liability and contingencies

Provisions for liability and contingencies cover the risks, not included in other categories, to which the Company may be exposed as a result of the activities it carries on. In particular, they include the provisions for covering the risks arising from the expansion of international activity.

Provisions for guarantees and contractual and legal obligations

Provisions for guarantees and contractual and legal obligations include the provisions to cover the expenses arising from contractual and legal obligations of a non-environmental nature.

Other provisions

"Other Provisions" includes the items not classified in the foregoing accounts, including provisions to cover environmental contingencies, self-insurance activity and the Company's obligations in relation to equity instrument-based transactions.

b) Short-term provisions

This line item includes the projected capital increase expenses that had not yet been billed at year-end.

17. NON-CURRENT AND CURRENT PAYABLES

The detail of "Non-Current Payables" and "Current Payables" is as follows:

	Non-current	Current
2014		
Debt instruments and other marketable securities	445,975	4,873
Bank borrowings	3,709,348	43,778
Obligations under finance leases	10,572	5,867
Derivatives (Note 13)	2,609	223
Other financial liabilities	4,117	41,992
	4,172,621	**96,733**
2013		
Debt instruments and other marketable securities	—	448,012
Bank borrowings	39,353	3,599,928
Obligations under finance leases	12,094	5,966
Derivatives (Note 13)	1,743	43,709
Other financial liabilities	3,461	16,283
	56,651	**4,113,898**

The detail, by maturity, of “Non-Current Payables” is as follows:

	Maturity					
	2016	2017	2018	2019	2020 and subsequent years	Total
Debt instruments and other marketable securities	—	—	—	—	445,975	445,975
Bank borrowings	154,068	178,469	3,355,771	2,862	18,178	3,709,348
Obligations under finance leases	4,969	4,139	1,211	165	88	10,572
Derivatives	514	514	514	514	553	2,609
Other financial liabilities	874	289	62	54	2,838	4,117
	160,42	**183,41**	**3,357,55**	**3,59**	**467,63**	**4,172,62**

a) Debt instruments and other marketable securities

The purpose of the issue of subordinated convertible bonds amounting to EUR 450,000 thousand launched on 30 October 2009 by Fomento de Construcciones y Contratas, S.A., which was aimed at international institutional investors, was to strengthen the balance sheet equity structure due to the fact that the bonds were convertible and subordinated to the corporate loans arranged by the Company at that time, and it also attempted to diversify the financing base by supplementing the bank financing.

The restructuring of these convertible bonds was included in the framework of the overall refinancing in 2014. This restructuring consisted of extending the original maturity of the convertible bonds -set for October 2014- by 6 years until October 2020, initially reducing the conversion price from EUR 37.85 to EUR 30 and then from 1 December onwards, due to the capital increase performed at the Company, reducing it further to EUR 22.19 while maintaining the interest rate of 6.5%.

The entitlement to convert the bonds may be exercised at the request of each of the holders, at any time until 30 October 2020, pursuant to the terms and conditions of the bonds. Also, it should be noted that following the restructuring, the convertible bonds are no longer subordinated.

Furthermore, Fomento de Construcciones y Contratas, S.A. is entitled to convert all of the convertible bonds into ordinary shares under certain circumstances, and repay all of the bonds early from October 2018 onwards.

The restructuring of and amendments to the conditions of the issue in the terms mentioned were approved by the General Assembly of Bondholders held on 5 May 2014 and the Company's Annual General Meeting on 23 June 2014.

In accordance with applicable accounting regulations, in addition to their financial component, the convertible bonds have another component that is recognised in equity as described in Note 14-e to these financial statements. Note 18-d also describes the terms of the convertible bond issue.

The balance recognised in this connection at 31 December 2014 under "Debt Instruments and Other Marketable Securities" in the accompanying consolidated balance sheet amounted to EUR 450,848 thousand, including EUR 4,873 thousand of accrued interest payable (31 December 2013: EUR 448,012 thousand). These bonds traded at 99.48% of par at 31 December 2014 according to Bloomberg.

b) Non-current and current bank borrowings

In 2013 the FCC Group commenced the refinancing of most of its debt in order to achieve a sustainable financial structure adapted to the generation of cash projected for the Group in the prevailing market environment, which would enable it to focus on the other objectives of its Strategic Plan aimed at improving profitability, reducing indebtedness, strengthening the capital structure and generating cash.

The refinancing process was formalised through the refinancing agreements entered into on 24 March and 1 April 2014 by Fomento de Construcciones y Contratas, S.A., other Group companies and the lending banks. Subsequent to compliance with certain conditions, the refinancing process came into effect on 26 June 2014, the date on which the full amount of the Financing Agreement was received and interest began to accrue. The refinancing was subscribed by virtually all the banks involved (more than 40 entities), achieving coverage of 99.98% of the liabilities affected.

The refinancing was instrumented mainly through (i) the arrangement of a syndicated loan amounting to EUR 4,528 million; (ii) the entering into of a financial stability agreement for guarantee and working capital facilities; (iii) the restructuring of the convertible bonds issued in 2009 amounting to EUR 450 million (discussed above); and (iv) the arrangement of other additional financing agreements.

On 21 November 2014, a binding agreement, the "**New Restructuring Framework Agreement**", was entered into with lending entities representing 86.5% of the Financing Agreement and other existing debt, under which the following was agreed:

i) the use of the proceeds net of expenses arising from the capital increase (see Note 14); and
ii) the modification of certain terms and conditions of the financing agreement.

Specifically, the aforementioned agreement established that EUR 765 million of the proceeds from the capital increase be used to repay and amortise EUR 900 million of Tranche B of the Financing Agreement, with the lending entities of Tranche B thereby assuming a debt reduction of 15%. The lending entities' share of this reduction was proportional to their respective participation in Tranche B.

Since the aforementioned "New Restructuring Framework Agreement" had been approved by 86.5% of the lending entities, a court approval procedure was implemented to apply the terms and conditions to all of the lending entities. Once this had been approved by the relevant court, legal proceedings were initiated for the presentation of challenges, which at the date of preparation of these financial statements has not yet ended.

The detail of the most salient aspects of the aforementioned refinancing and its subsequent renewal is as follows:

Financing Agreement and subsequent renewal

The refinancing is structured primarily on the basis of a long-term syndicated financing agreement divided into tranches that came into force on 26 June 2014 (the “Financing Agreement”) which entailed the novation of a significant portion of the various syndicated financing agreements, credit or loan facilities or bilateral financing instruments of Fomento de Construcciones y Contratas, S.A. and certain of its Group companies (the “FCC Refinancing Scope”), with the exception of certain excluded companies and the excluded subgroups headed by Cementos Portland Valderrivas, S.A., FCC Environment Services, FCC PFI Holdings Ltd y Azincourt Investment, S.L.U. (“Azincourt”), ASA Abfall Services A.G. and Aqualia Czech, S.L. (together the “Excluded Subgroups”).

The main features of this syndicated financing agreement are as follows:

- **Amount**: the total amount is EUR 4,528 million, which replaced most of the debt existing in various syndicated and bilateral structures for the same amount. As a result of the renewal the principal amounted to EUR 3,678 million.

- **Tranches**: Tranche A amounting to EUR 3,178 million which is classified as a guaranteed senior commercial loan and Tranche B amounting to EUR 1,350 million that is of the same guaranteed nature as Tranche A and includes a right to convert the outstanding balance at maturity into newly issued shares at market price without a discount (including the PIK or capitalisable component of the accrued interest) through the conversion of loans into share capital or a subordinated loan in certain circumstances envisaged in the Financing Agreement. As a result of the renewal and the use of a portion of the funds from the capital increase to repay Tranche B, the principal amounted to EUR 490 million at 31 December 2014 (including the interest added to the principal up to that date).

- **Maturity**: the maturity of the Financing Agreement was set at 4 years from 26 June 2014 with the possibility of being extended up to a maximum period of 6 years (automatic extension by 1 year in the case of conversion of Tranche B into shares of the Company and additional extension by 1 more year where this has been approved by an enhanced majority of 75% of entities financing Tranche B). After novation of the agreement, if Tranche B has not been converted, it will be extended automatically for an additional three-year period.

- **Repayment**: the repayment schedule includes EUR 150 million at 24 months and EUR 175 million at 36 months, and the remainder is payable on maturity at no cost. Tranche B is repayable on the original maturity date at no cost, notwithstanding its possible conversion into shares under the terms and conditions indicted below.

- **Interest rate of Tranche A**: the interest rate established for Tranche A is Euribor plus a floating spread increasing over the period of 3% in the first year, 3.5% in the second year and 4% in the third and fourth years.

- **Cases of early maturity**. The Financing Agreement provides for certain cases of early maturity, which include, inter alia (i) non-payment; (ii) non-achievement of covenants; (iii) material adverse effect; (iv) insolvency proceedings involving any party to the Agreement or relevant subsidiary; and (v) cross default if other debts are not paid.

- **Cases of mandatory total early repayment**. The Financing Agreement provides for certain cases of mandatory total early repayment which include, inter alia (i) a change of control at the Company and at the FCC Group (which involves the acquisition of control by a third party other than an industrial company or a credit institution of acknowledged solvency, experience and management capacity), unless it results from a monetary capital increase the funds of which are used for the purposes envisaged in the Financing Agreement, or from the acquisition of control as a result of a possible conversion into shares; or the loss of control of the current controlling shareholder that does not involve the acquisition of control by a third party; and (ii) the sale of all or a substantial portion of the assets or businesses of the Group.

- **Cases of mandatory partial early repayment**. Among other cases, the Financing Agreement provides for the obligation of the borrowers to repay, early and partially, the outstanding principal using (i) all of the net proceeds from monetary capital increases, unless (a) they are used to repurchase Tranche B debt (using the Dutch auction procedure); (b) and up to 25% of the proceeds from the capital increase may be used, at the Company's discretion, as contributions of funds to certain companies in which non-controlling interests are held, Excluded Subgroups (except for Alpine) or certain companies excluded from the Refinancing Scope; (ii) the effective amount paid in by any FCC Group company party to the refinancing or any company in the Refinancing Scope as a result of the subscription of subordinated debt; (iii) proceeds from insurance indemnity payments and the sale of assets, subsidiaries and businesses, except under certain circumstances; and (iv) cash surpluses existing at 31 December of each year which exceed certain minimum amounts .

- **Financial ratios and other borrower obligations**. The Financing Agreement is subject to the achievement of certain half-yearly financial ratios relating to the Refinancing Scope the non-achievement of which may trigger a case for early repayment. As a result of arranging the aforementioned renewal, the financial ratios will only have full effect from June 2015 onwards in order to provide for a complete twelve-month period from the entry into force of the financing agreement, thereby making the aggregates used uniform.

- **Flexibility in the terms and conditions in the case of deleverage**. If all the circumstances concur, which in accordance with the Financing Agreement constitutes a case of deleverage of the Refinancing Scope, the Financing Agreement provides for the automatic modification of certain conditions and obligations upon the borrowers including (i) the easing of partial early payment cases; and (ii) modification of the dos and don'ts obligations incumbent upon borrowers (including the removal of the prohibition on distributions to shareholders), establishing minimum thresholds triggering the prohibition of constitution of liens and encumbrances or limitations on the disposal and sale of assets when conducted under conditions other than market conditions.

  As a result of the aforementioned renewal, certain clauses were modified, thereby mitigating various restrictions imposed by the original agreement, the most significant being: (i) Fomento de Construcciones y Contratas, S.A. can provide funding to Group companies other than the borrowers and guarantors if they meet certain requirements; (ii) the maximum amount of additional financial indebtedness in which Fomento de Construcciones y Contratas, S.A. and other Group companies may incur has been increased; and (iii) Fomento de Construcciones y Contratas, S.A. is entitled to distribute dividends to shareholders if certain conditions are met.

- **Personal guarantees and security interests**. The Financing Agreement provides for personal guarantees whereby Fomento de Construcciones y Contratas, S.A. and Group companies acting as guarantors are jointly and severally liable for the fulfilment of the obligations of the other borrowers. In further assurance of compliance with the obligations under the Financing Agreement, certain security interests have been given by the borrowers including (i) a pledge of shares and ownership interests in various companies of the FCC Group; (ii) a pledge of receivables on bank accounts; and (iii) a pledge of receivables on certain concession arrangements and other collection rights, as well as the granting of a promise of creating additional security interests in certain circumstances.

Main characteristics of Tranche B

- **Repurchase of Tranche B**. The Financing Agreement establishes that, in the event of a capital increase at Fomento de Construcciones y Contratas, S.A., the proceeds obtained from the increase may be earmarked for the acquisition of Tranche B debt through a Dutch auction process, which could allow for the repurchase of Trance B at a discount.

- **Interest rate of Tranche B**. As regards Tranche B, the interest rate agreed upon was 1-year Euribor plus an annual fixed spread (PIK component) of 11% in the first year, 13% in the second year, 15% in the third year and 16% in the fourth year, with the Euribor payable in cash and the PIK component capitalisable at the end of each interest period. In the case of a monetary capital increase in order to repay or repurchase Tranche B, the PIK component would accrue and be capitalised at a reduced rate of 6% solely in relation to that portion of Tranche B that had been repaid and only with respect to the interest accrued in the year in which the monetary capital increase had been performed. As a result of the aforementioned novation of the agreement, the interest rate on the PIK component was reduced to 5% per year on the portion not yet repaid after the novation.

- **Conversion of Tranche B into shares**. As indicated previously, the Financing Agreement envisages that the full balance of Tranche B not yet paid (including the interest PIK component) can be converted into shares of the Company, primarily, and including other cases of early conversion, (i) in the event of failure to repay or refinance Tranche B on maturity (ordinary conversion); (ii) in a case of total or partial mandatory repayment, or a case of early maturity envisaged in the Financing Agreement (early conversion); or (iii) in a case of insolvency proceedings involving the Company, subject at all times to the condition that it is thus agreed upon by the lenders whose joint share in Tranche B represents 75% or more of the total outstanding balance payable.

  The conversion right is instrumented through a warrants issue approved by the shareholders at the Annual General Meeting of Fomento de Construcciones y Contratas, S.A. held on 23 June 2014. The warrants give their holders the right to convert -up to six months after the original maturity date- a number of new shares of the Company in proportion to their share of the Tranche B debt (including principal and capitalised interest payable at the conversion date) at the market price of the shares upon exercise of the warrants, for which the highest would be considered of (i) the nominal value; and (ii) the value of the weighted average market price of the shares of the eight weeks prior to the date on which the conversion process is initiated (five months before the original maturity date) in the case of ordinary conversion, or the weighted average market price of the shares during the eight weeks after the date on which the conversion process is initiated, in the case of early conversion.

  The warrants were subscribed by the lending entities with a share in Tranche B and are transferable only in the amount of the corresponding share in Tranche B, which simultaneously requires the joint and indivisible transfer of Tranche A. The warrants will not be listed on any secondary market.

  In order to minimise the impact on the market price of the Company's shares that could result from the conversion, the lending entities assumed certain restrictions on the transfer of shares and in relation to the orderly sale thereof.

  However, it should be underlined that the warrants will not be convertible into shares of the Company if prior to or on the conversion date the aforementioned Tranche B is repaid or if various circumstances are jointly met, including most notably: (i) that the Company has provided evidence of the reduction of the Net Financial Debt/EBITDA ratio of the Refinancing Scope to under 4 times; (ii) that it has repaid at least EUR 1,500 million of the total financing granted through Tranche A and Tranche B; and (iii) that recurring EBITDA exceeds EUR 750 million. In these cases, the conversion of the warrants would be immediately deactivated, Tranche B would be converted into Tranche A and the spread applicable to the interest rate on the total of Tranche A would be set at 4.5%.

Financial Stability Framework Agreement

To complement the main refinancing agreement, a Financial Stability Framework Agreement was entered into governing, inter alia, the financial transactions necessary for day-to-day business activity: domestic and international guarantees amounting to EUR 1,704 million and leases, full-service leases, reverse factoring, factoring and German models amounting to EUR 459 million for a period of four years; and the commitment -vis-à-vis the lenders- to automatically defer (in terms and conditions of repayment and maturity similar to those set out for Tranche A in the Financing Agreement) the claim ability of certain contingent debt items from the time of accrual, as a result of initiating claims or executing security interests provided in relation to guarantees.

Syndicated international guarantee facility

Also, the grant of a new international guarantee facility was formalised amounting to EUR 250 million extendible to EUR 450 million, for a period of 4 years, extendable to 6 (in line with the possible extensions of the Financing Agreement.

Cementos Portland Valderrivas deferral agreement

The refinancing also includes the formal arrangement of an agreement entered into in March 2014 with the lending banks of Cementos Portland Valderrivas to defer Fomento de Construcciones y Contratas, S.A.'s obligation to contribute contingent capital of up to EUR 200 million to that subsidiary. The agreement has a term of four years (extendible to six years), would enter into force from when the Company's contribution obligation becomes enforceable and would bear, as deferred contingent debt, an interest rate identical to that applicable to Tranche A of the Financing Agreement at any given time.

Also, under the New Restructuring Framework Agreement, in December the lending entities agreed to contribute EUR 100 million to Azincourt Investment, S.L., in order to enable it to repay a portion of its debt; in February 2015, after the capital increase, EUR 100 million were contributed to Cementos Portland Valderrivas, S.A., which were used to reduce Cementos Portland Valderrivas, S.A.'s financial debt by the same amount. This contribution reduced the Company's obligations under the “CPV Deferral Agreement”.

Also, there are bilateral loans/credit facilities totalling EUR 72,895 thousand.

At year-end the long- and short-term financing granted to the Company by banks had a limit of EUR 3,755,994 thousand (31 December 2013: EUR 4,017,793 thousand), which had been drawn down substantially in full at 31 December 2014 (31 December 2013: EUR 387,799 thousand available), since the signing of the syndicated financing agreement led to the repayment of most of the bilateral financing, with the undrawn balances added to "Cash" and, therefore, working capital needs started to be managed through cash.

18. NON-CURRENT AND CURRENT TRADE AND OTHER PAYABLES

a) Accounts payable to Public Authorities

The entire balance of "Trade and Other Non-Current Payables" and a portion of the balance of "Other Accounts Payable to Public Authorities" under "Trade and Other Current Payables" (see Note 20-a) include the deferral of the payment of certain taxes and social security contributions, authorised by the Large Taxpayers Central Office of the State Tax Agency and the Social Security General Treasury, respectively. The deferred amounts are payable monthly up to a maximum of four years at an interest rate of 4-5%.

The detail of the aforementioned deferred payments is as follows:

	2014	2013
Non-current	92,615	136,430
Current	104,032	105,243
	196,647	**241,673**

b) Deferral of payment to suppliers in commercial transactions

In relation to the resolution issued by the Spanish Accounting and Audit Institute (ICAC) on 29 December 2010 implementing Additional Provision Three of Law 15/2010, of 5 July, on combating late payment in commercial transactions, it should be noted with respect to 2014 that in Spain the Company operates mainly with public-sector customers such as the State, Autonomous Communities, local corporations and other public bodies which take longer to settle their payment obligations than the periods established in Public Sector Contract Legislation and in Law 3/2004, of 29 December, on combating late payment.

It is also important to note that in 2014, the provisions of Article 228.5 of the current Consolidated Text of the Public Sector Contract Law ("TRLCSP") were applied to work and supplies arising from agreements entered into by the Company with the various Public Authorities.

Due to this situation, in order to adapt the Company's financial policy to reasonable levels of efficiency, the usual payment periods to the suppliers in the sectors in which the Company operates were maintained throughout 2014.

The Company's supplier payment policy described in the two preceding paragraphs is thus supported by a) Payments to suppliers of agreements entered into by the Company with the Public Authorities: in Article 228.5 of the TRLCSP (all the requirements of which were met) and b) Payments to other suppliers: in Transitional Provision Two of Law 15/2010 and, where applicable, the provisions of Article 9 of Law 3/2004, which does not consider "payment deferral due to objective reasons" to be abusive, taking into consideration in both case a) and case b) the usual payment period in the business sectors in which the Company operates.

Furthermore, the Company acknowledges and pays suppliers, always by mutual agreement, the late-payment interest agreed in the agreements and provides them with negotiable payment methods associated with actions for collection of a bill of exchange, and the discount costs, if any, are borne by the Company. Such agreements, which are expressly provided for in the TRLCSP, as described above, are also allowed by Directive 2011/7/EU of 16 February, of the European Parliament and of the Council.

In compliance with the aforementioned ICAC resolution, the following table shows the payments made and the outstanding payments to suppliers.

PAYMENTS MADE AND OUTSTANDING PAYMENTS AT THE BALANCE-SHEET DATE	2014		2013	
	Amount	%	Amount	%
Within the maximum payment period	127,884	69	127,000	71
Other	58,391	31	51,494	29
Total payments made in the year	**186,275**	**100**	**178,494**	**100**
Weighted average period of late payment	94 days		89 days	
Payments at year-end not made in the maximum payment period	15,638		19,870	

In relation to the above, Final Provision Two of Law 31/2014, of 3 December, reforming the Spanish Limited Liability Companies Law, amending Additional Provision Three of Law 15/2010, establishes the obligation to disclose the average payment period to suppliers. At the date of preparation of these financial statements, the ICAC had not issued the Resolution required under section 4 of the aforementioned Additional Provision Three, in relation to the methodology used for calculating the average payment period and, accordingly, this information was not disclosed in the financial statements for 2014.

19. INFORMATION ON THE NATURE AND RISKS OF FINANCIAL INSTRUMENTS

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

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

a. Capital risk

The Company and the FCC Group manage their capital to reasonably ensure that the Group companies are capable of continuing as profitable businesses while maximising the return for the shareholders.

The strategy of the Group as a whole continues to focus on geographical diversification and the development and expansion of its business activities in both OECD countries and emerging markets.

Financial management, which is responsible for the management of financial risks, periodically reviews the debt-equity ratio and compliance with the financing covenants and the capital structure of the subsidiaries.

b. Interest rate risk

Fomento de Construcciones y Contratas, S.A. and the FCC Group are exposed to risks arising from interest rate fluctuations, since the financial policy aims to guarantee that their current financial assets and debt are partially tied to floating interest rates. The reference interest rate for the bank borrowings arranged in euros is mainly Euribor.

Any interest rate increase could increase the borrowing costs on the debt tied to floating rates and could increase, in turn, the refinancing costs of the debt and the costs involved in issuing new debt.
In order to ensure a position that is in the best interest of the Company and of the FCC Group, an interest rate risk management policy is actively implemented based on the ongoing monitoring of markets and on assuming different positions based primarily on the asset being financed.

c. Solvency risk

It should be noted in relation to "Solvency risk" that, although the Company's financial statements present a loss of EUR 906,473 thousand, these relate mostly to the accounting losses or, as the case may be, non-recurring losses, due to the write-down of assets and adjustments to certain investments at the FCC Environment (UK) and FCC Construcción Groups, which are operating losses that do not affect cash and will not affect the borrowings of the Company and the FCC Group in the future (and, therefore, will similarly not affect their solvency risk).

d. Liquidity risk

Fomento de Construcciones y Contratas, S.A. and the FCC Group perform their transactions in industries which require a high level of financing, and to date they have has obtained adequate financing to be able to carry on their operations. However, they cannot guarantee that these circumstances relating to the obtainment of financing will continue in the future.

The capacity of the Company and of the FCC Group to obtain financing depends on many factors, many of which are outside their control, such as general economic conditions, the availability of bank funds and the monetary policies of the markets in which they operate. Unfavourable conditions in the debt and capital markets can obstruct or impede the obtainment of adequate financing for the performance of business activities.

Apart from seeking new sources of financing, the Company and the FCC Group may need to refinance a portion of their current debt through bank loans and debt issues, since a significant portion of the financing matures in 2018. Historically, the FCC Group has always been able to renew its loan agreements and expects to continue to do so over the next twelve months. However, the ability to renew the loan agreements depends on various factors, many of which are outside the control of the FCC Group, such as the general conditions of the economy, the availability of funds for loans from private investors and financial institutions and the monetary policies of the markets in which it operates. Unfavourable conditions in the debt markets can obstruct or impede the FCC Group's capacity to renew its financing. Therefore, the FCC Group cannot guarantee its capacity to renew the loan agreements on economically attractive terms. The inability to renew these loans or ensure adequate financing on acceptable terms could have an adverse impact on the liquidity of Fomento de Construcciones y Contratas, S.A. and its Group and on its ability to cover working capital requirements.

In order to adequately manage this risk, Fomento de Construcciones y Contratas, S.A. closely monitors the maturities of all the credit lines and financing of each of the Group companies so that they can be renewed in sufficient time and on the best terms offered by the market, analyses the suitability of the financing on a case-by-case basis and studies any alternatives with more favourable terms. In addition, Fomento de Construcciones y Contratas, S.A. is present in various markets in order to facilitate the obtainment of financing and to mitigate liquidity risk.

In this connection, the most significant of the credit facilities of the Company and of the FCC Group came into force in June 2014. A syndicated four-year loan of EUR 4,528 million with certain covenants enabling the maturity of the Group's debt to be extended significantly. These include the obtainment and renewal of new working capital financing lines (leasing, factoring, reverse factoring, etc.), and international guarantee lines of EUR 250 million, extendible to EUR 450 million and the novation for six years (until October 2020) of the current convertible bond of EUR 450 million.

With the entry into force of the refinancing and the capital increase, the Company and the FCC Group understand that the factors raising doubts as to their continuity no longer exist and that they can finance their business activities.

Both transactions form one of the basic pillars for reaching the restructuring and profitability objectives foreseen in the Strategic Plan.

e. Foreign currency risk

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

Although the Company's reference currency and the currency with which it mainly operates is the euro, the FCC Group also has certain financial assets and liabilities denominated in currencies other than the euro. The foreign currency risk arises mainly on debt denominated in foreign currencies, on investments to be made in international markets and on amounts received in a currency other than the euro, which are concentrated mainly at its subsidiaries.

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

f. Concentration risk

This risk arises from the concentration of financing transactions with common features which are distributed as follows:

- Sources of financing: In order to diversify this risk, the Company and the FCC Group work with numerous Spanish and international financial institutions in order to obtain financing.

- Markets/geographical areas (domestic and foreign): The Company operates basically in the domestic market and, therefore, the debt is concentrated mainly in euros.

- Products: The Company uses various financial products, including loans, credit facilities debt securities, syndicated transactions, factoring, discounting, etc.

g. Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Company, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position could result in the risk of non-payment of the amounts owed.

The Company and the FCC Group request commercial reports and assess the financial solvency of its customers before entering into agreements with them and also engage in ongoing monitoring of customers, and they have a procedure in place to be followed in the event of insolvency. In the case of public customers, the FCC Group follows the policy of not accepting projects without an allocated budget and financial approval. Offers exceeding a certain collection period must be authorised by Financial Management. Furthermore, late payment is monitored on an ongoing basis by specific bodies, including the risk committees.

h. Financial derivatives designated as hedging instruments

In general, the financial derivatives arranged by the Company are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in the notes to the financial statements. The main financial risk hedged by the Company using derivative instruments relates to fluctuations in the floating interest rates to which the project financing of the joint venture Gestión Instalación III (see Note 8-c) is tied. Financial derivatives are measured by experts on the subject that are independent from the Group and the entities financing it, using generally accepted methods and techniques.

Sensitivity analyses are carried out periodically in order to observe the effect of a possible change in interest rates on the Group's accounts.

Accordingly, a simulation was performed using three rising basic yield curve scenarios around 0.17% at 31 December 2014, assuming increases in the curve of 25 bp, 50 bp and 100 bp. The amounts obtained in relation to the derivatives in force at year-end with an impact on equity are shown below (in thousands of euros), after the application, where applicable, of the percentage of ownership.

	Hedging derivatives		
	+25 bp	+50 bp	+100 bp
Impact on equity:	236	466	910

As in the case of derivatives, the table below summarises the effect that the aforementioned increases and decreases in the interest rate yield curve on the net debt, after excluding any hedged debt, would have on the Company's income statement:

	Net debt		
	+25 bp	+50 bp	+100 bp
Impact on the income statement	4,867	9,733	19,467

20. DEFERRED TAXES AND TAX MATTERS

a) Tax receivables and payables

The detail of the tax receivables and payables from/to Public Authorities is as follows:

a.1) Tax receivables

	2014	2013
Non-current		
Deferred tax assets	195,212	220,126
	195,212	**220,126**
Current		
Current tax assets	10,092	21,894
Other accounts receivable from Public Authorities	7,663	7,637
	17,755	**29,531**

"Deferred Tax Assets" includes basically, inter alia, the temporary differences arising from period depreciation and amortisation, provisions, impairment losses on investments and finance costs recognised that will be tax deductible in subsequent years, the deferral of losses contributed by joint ventures which will be included in the tax base for the following year and the temporary differences arising from the liability balance on measurement of derivatives.

Management of Fomento de Construcciones y Contratas, S.A., Parent of tax group 18/89 (see Note 20-g), assessed the recoverability of the deferred tax assets by estimating the future tax bases relating to this group and concluded that there are no doubts as to their recoverability in a period of no more than ten years.

a.2) Tax payables

		2014		2013
Non-current				
Deferred tax liabilities		66,316		87,203
Other accounts payable to Public Authorities		92,615		136,430
		158,931		**223,633**
Current				
Current tax liabilities		—		—
Other accounts payable to Public Authorities:		159,165		157,448
Tax withholdings payable	9,695		10,189	
VAT and other indirect taxes payable	22,005		20,900	
Accrued social security taxes payable	18,619		16,283	
Deferral of payments to Public Authorities (see Note 18)	104,032		105,243	
Other	4,814		4,833	
		159,165		**157,448**

"Deferred Tax Liabilities" includes mainly the deferral of the depreciation charge relating to the non-current assets held under leases and that relating to investments in property, plant and equipment subject to accelerated depreciation pursuant to Law 4/2008, in addition to the deferral of the profits contributed by joint ventures which are included in the tax base for the following year.

b) Reconciliation of the accounting profit (loss) to the taxable profit (tax loss)

The reconciliation of the accounting profit (loss) to the taxable profit (tax loss) for income tax purposes is as follows:

	2014			2013		
Accounting profit (loss) for the year before tax			**(895,953)**			**(470,068)**
	Increase	**Decrease**		**Increase**	**Decrease**	
Permanent differences	1,077,232	(282,803)	794,429	815,732	(4,292)	811,440
Adjusted accounting profit (loss)			(101,524)			341,372
Temporary differences						
- Arising in the year	—	(24,815)	(24,815)	301,108	(18,718)	282,390
- Arising in prior years	31,894	(1,156)	30,738	61,624	(16,188)	45,436
Taxable profit (tax loss) arising from income and expense recognised in the income statement			**(95,601)**			**669,198**
Taxable profit (tax loss) arising from income and expense recognised in equity			**(27,773)**			—
Taxable profit (tax loss)			**(123,374)**			**669,198**

The foregoing table includes notably the permanent differences relating to 2014 and 2013. These differences arose from:

- The impairment losses on the investments in investees which form part of tax group 18/89 and, therefore, any reversal of the impairment loss in question in the coming years would be associated with the item for which the impairment loss was originally recognised.

- The treatment as permanent differences of deferred tax assets generated in the year.

The changes in deferred tax assets and liabilities in 2014 and 2013 were as follows:

	Deferred tax assets	Deferred tax liabilities
Taxable temporary differences (income statement liability method)		
Balance at 31/12/12	**129,303**	**74,922**
Arising in the year	90,332	5,615
Arising in prior years	(4,856)	(18,487)
Tax assets	(1,753)	—
Other adjustments	5,285	1,224
Balance at 31/12/13	**218,311**	**63,274**
Arising in the year	—	347
Arising in prior years	(7,445)	(9,568)
Other adjustments	(16,377)	(8,949)
Balance at 31/12/14	**194,489**	**45,104**
Temporary differences (balance sheet liability method)		
Balance at 31/12/12	**15,455**	**26,818**
Arising in the year	—	—
Arising in prior years	(13,640)	(2,889)
Balance at 31/12/13	**1,815**	**23,929**
Arising in the year	—	—
Arising in prior years	(1,092)	(113)
Other adjustments	—	(2,604)
Balance at 31/12/14	**723**	**21,212**
Total at 31/12/14	**195,212**	**66,316**

"Other Adjustments" arose as a result of the positive or negative differences between the estimate of the tax expense or benefit performed for the accounting closing and the amount per the subsequent settlement of the tax at the date of payment and of the adjustment of deferred tax assets and liabilities to the income tax rates applicable in 2015 (28%) and 2016 (25%).

c) Tax recognised in equity

At 31 December 2014, the tax recognised in equity related basically to the change in value of the Company's hedging instruments amounting to EUR 723 thousand (31 December 2013: EUR 1,309 thousand) and to capital increase expenses amounting to EUR 10,500 thousand.

d) Reconciliation of the accounting result to the income tax expense

The reconciliation of the accounting result to the income tax expense (benefit) is as follows:

	2014	2013
Adjusted accounting profit (loss)	(101,524)	341,372
Income tax charge (30%)	(30,457)	102,412
Inter-company double taxation tax credits	(6,648)	(131,157)
Reinvestment tax credits	—	(31)
Other tax credits and tax relief	—	(1,017)
Other adjustments	47,625	(3,781)
Income tax expense (benefit)	**10,520**	**(33,574)**

"Other Adjustments" includes basically the adjustment of deferred tax assets and liabilities due to the change in tax rate mentioned in point b) above (EUR 17,023 thousand) and to the adjustment made as a result of the non-recognition of the tax losses that it is considered will not be able to be offset by the tax group in the income tax return for 2014 (EUR 28,932 thousand).

e) Tax loss and tax credit carryforwards

At 2014 year-end the Company did not have any tax loss carryforwards.

In addition, it should be noted that the Company had tax credit carryforwards and, consequently, recognised the tax credit for reinvestment of extraordinary income arising in 2011 from the sale of the Torre Picasso building, amounting to EUR 4,983 thousand, which will be used in subsequent years (31 December 2013: same amount). The income qualifying for the reinvestment tax credit amounted to EUR 81,700 thousand. This reinvestment must have been made by 2014 at the latest in the assets listed in Article 42 of Legislative Royal Decree 4/2004, which must be retained for the legally established periods.

f) Years open for review and tax audits

Fomento de Construcciones y Contratas, S.A. has all the years not yet statute-barred open for review by the tax authorities for the taxes applicable to it. The criteria that the tax authorities might adopt in relation to the years open for review could give rise to contingent tax liabilities which cannot be objectively quantified. However, the Group's Senior Executives consider that any resulting liabilities would not significantly affect the Company's equity.

With respect to the years reviewed, it should be noted that the Company has not been issued tax assessments for significant amounts in the last four years and has filed the corresponding appeals, unless it has signed assessments on an uncontested basis.

To comply with the legal requirements concerning transfer pricing, the Company has established the necessary procedures to support its transfer prices and considers that there are no significant risks that they could give rise to any contingent liabilities.

g) Tax group

Under authorisation 18/89, Fomento de Construcciones y Contratas, S.A., as the Parent, files consolidated income tax returns with all the other Group companies that meet the requirements established by tax legislation.

h) Other tax disclosures

"Income Tax Recovered/ (Paid)" in the accompanying statement of cash flows for 2014 includes mainly EUR 84,249 thousand of payments to the tax group companies as a result of the income tax losses contributed by them for 2013 and EUR 31,636 thousand of income tax paid over to the Spanish tax authorities in relation to deferred payments from prior years (see Note 18-a).

21. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2014, Fomento de Construcciones y Contratas, S.A. had provided EUR 646,633 thousand (31 December 2013: EUR 595,598 thousand) of guarantees, mostly consisting of completion bonds provided to Government Agencies and private-sector customers as security for the provision of urban cleaning contract services.

At 2014 year-end the Company had also provided guarantees to third parties for certain Group companies amounting to EUR 376,151 thousand (31 December 2013: EUR 507,227 thousand). These include, most notably, EUR 179,331 thousand relating to Environmental Services companies and EUR 132,258 thousand relating to Construction companies in relation to the activity carried on by them. Also, the Company is guaranteeing the fulfilment of the street furniture advertising contract of the subsidiary Cemusa Inc. in New York.

Fomento de Construcciones y Contratas, S.A. and the joint ventures in which it has interests are acting as defendants in lawsuits in relation to the liability inherent to the various business activities carried on by the Company in the performance of the contracts awarded, for which the related provisions have been recognised (see Notes 16 and 4-j). Accordingly, any resulting liabilities would not have a significant effect on the Company's equity.

The insolvency proceedings initiated in 2013 by Alpine Bau GmbH (the head of the group of operating companies of the Alpine Group) and Alpine Holding GmbH (the parent of Alpine Bau GmbH), both of which are subsidiaries of FCC Construcción, S.A., could give rise to liability that might affect Fomento de Construcciones y Contratas, S.A. as the parent and owner of all the shares of FCC Construcción, S.A. These proceedings are discussed in the notes to the FCC Group's consolidated financial statements.

On 15 January 2015 the Competition Section of the Spanish National Markets and Competition Commission issued a resolution in relation to case file S/0429/12 for an alleged infringement of Article 1 of Spanish Competition Law 15/2007. The aforementioned resolution affects various companies and associations in the waste industry, including Fomento de Construcciones y Contratas, S.A. This resolution will be appealed at the Judicial Review Chamber of the National Appellate Court. Company Management did not recognise any provision to cover the financial consequences of the aforementioned resolution, since it is considered that it is a court proceeding with a right of appeal and in which the definitive penalty to be imposed, where applicable, shall be specified in such decisions as might be handed down.

22. INCOME AND EXPENSES

The revenue and the income from sales and services include the dividends and the accrued interest on the financing granted to investees (see Note 2). Substantially all of the balance of "Sales and Services" was earned in Spain.

The detail, by area, of "Sales and Services" is as follows:

	2014	2013
Environmental Services	1,200,700	1,200,717
Integral Water Management	55,401	66,996
	1,256,101	**1,267,713**

The detail of "Staff Costs" is as follows:

	2014	2013
Wages and salaries	585,015	611,045
Employee benefit costs	198,444	206,952
	783,459	**817,997**

The collective redundancy procedure initiated by the Company in 2013 was completed in January 2014. However, most of the terminations had been made by the end of 2013, and in 2013 EUR 13,547 thousand were recognised under "Staff Costs" in this connection. This amount includes termination benefits and the estimated social security obligations arising from this collective redundancy procedure.

“Impairment and Gains or Losses on Disposals of Non-Current Assets and Other Gains or Losses” includes an expense of EUR 64,000 thousand to cover risks in international projects in relation to the insolvency proceedings of Alpine.

“Finance Income From Marketable Securities and Other Financial Instruments of Group Companies and Associates” includes the interest earned on the financing granted to investees (see Note 10), which includes most notably that relating to FCC Construcción, S.A., amounting to EUR 30,152 thousand (31 December 2013: EUR 69,795 thousand) and to Azincourt Investment, S.L., amounting to EUR 23,946 thousand (31 December 2013: EUR 34,733 thousand).

“Finance Income” includes most notably EUR 135,000 thousand arising from a debt reduction agreed on in the novation of the financing agreement entered into as a result of the partial repayment of Tranche B of the loan, as indicated in Note 17-b.

Also, the new restructuring framework agreement (see Note 17-b) gave rise to substantial amendments to the refinancing terms and conditions and, therefore, in 2014 the Company charged all the expenses incurred in the refinancing already paid, amounting to EUR 61,374 thousand, to “Finance Costs - On Debts to Third Parties”.

23. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party transactions

The detail of the transactions with related parties in 2014 and 2013 is as follows:

	Group companies	Joint ventures	Associates	Total
2014				
Services rendered	68,488	10,539	908	79,935
Services received	27,320	563	343	28,226
Dividends	18,978	1,642	1,539	22,159
Finance costs	16,434	—	—	16,434
Finance income	103,710	4,662	49	108,421
2013				
Services rendered	60,365	9,005	880	70,250
Services received	33,513	349	226	34,088
Dividends	434,338	2,929	1,198	438,465
Finance costs	26,406	—	—	26,406
Finance income	147,124	2,113	1	149,238

b) Related party balances

The detail of the related party balances at 31 December 2014 and 2013 is as follows:

	Group companies	Joint ventures	Associates	Total
2014				
Current financial assets (Note 10)	445,495	48,847	32	494,374
Non-current financial assets (Note 10)	3,305,458	428,127	11,669	3,745,254
Current payables (Note 10)	543,369	6,534	—	549,903
Non-current payables (Note 10)	200,774	—	—	200,774
Trade receivables	60,161	8,306	1,385	69,852
Trade payables	18,917	429	39	19,385
2013				
Current financial assets (Note 10)	918,989	2,078	3,506	924,573
Non-current financial assets (Note 10)	2,884,865	8,918	8,311	2,902,094
Current payables (Note 10)	516,057	25	—	516,082
Trade receivables	44,492	5,930	205	50,627
Trade payables	17,067	131	54	17,252

The detail of the trade receivables from and payables to Group companies and associates is as follows:

Company	2014 Receivable	2014 Payable	2013 Receivable	2013 Payable
FCC Construcción, S.A.	31,603	1,800	19,927	1,361
Limpieza e Higiene de Cartagena, S.A.	3,702	—	3,385	14
FCC Aqualia, S.A.	3,503	1,266	4,678	1,614
Hidrotec Teconología del Agua, S.L.	3,080	516	12	59
Ecoparc del Besòs, S.A.	2,609	5	1,078	12
Serveis Municipals de Neteja de Girona, S.A.	2,410	—	1,336	—
Cementos Portland Valderrivas, S.A.	2,287	24	44	10
Servicios Urbanos de Málaga, S.A.	1,850	—	1,941	—
Societat Municipal Mediambiental d’Igualada, S.L.	1,845	—	1,551	—
FCC Ámbito, S.A.	1,709	182	1,879	275
FCC Saudi Company	1,580	—	—	—
FCC Medio Ambiente, S.A.	1,477	691	1,023	734
FCC Industrial e Infraestructuras Energéticas, S.A., Sole-Shareholder Company	1,459	1,039	1,551	1,567
Empresa Comarcal de Serveis Mediambientals del Baix Penedès ECOBP, S.A.	1,205	—	1,543	—
FM Green Power Investments, S.L.	1,023	—	1,023	—
A.S.A. Group	966	—	1,334	—
Gandia Serveis Urbans, S.A.	769	68	1,111	—
Servicios Especiales de Limpieza, S.A.	507	1,989	437	1,607
Tratamiento Industrial de Aguas, S.A.	82	5,642	87	5,783
Ingeniería Urbana, S.A.	52	—	1,866	—
Gestió de Recuperació de Terrenys, S.A.	—	1,239	—	848
Other	6,134	4,924	4,821	3,368
	69,852	**19,385**	**50,627**	**17,252**

c) Remuneration of the Directors of the Company and Senior Executives of the FCC Group

The Directors of Fomento de Construcciones y Contratas, S.A. earned the following amounts (in thousands of euros):

	2014	2013
Fixed remuneration	2,900	2,950
Other remuneration	2,625	784
	5,525 (*)	**3,734 (**)**

(*) In 2014 Mr. Juan Béjar Ochoa earned triennial variable remuneration of EUR 1,600 thousand corresponding to 2013, the payment thereof being subject to his contractual terms and conditions.

(**) Furthermore, EUR 7,500 thousand should be added to the figures in the foregoing table in relation to the termination benefit agreed upon with the former CEO for early termination of his contract.

The Senior Executives listed below, who are not members of the Board of Directors, earned total remuneration of EUR 4,131 thousand in 2014 (2013: EUR 4,192 thousand).

2014	
Mr. Agustín García Gila	Chairman of Environmental Services
Mr. Eduardo González Gómez	Chairman of FCC Aqualia and Director of Institutional Relations of FCC
Mr. José Luis Sáenz de Miera	Chairman and CEO of Cementos Portland Valderrivas
Mr. Miguel Jurado Fernández	Chairman of FCC Construcción
Mr. Juan José Drago Masià	General Administration Manager
Mr. Miguel Hernanz Sanjuan	General Internal Audit Manager
Mr. Victor Pastor Fernández	General Finance Manager
Mr. José Manuel Velasco Guardado	General Communication and Corporate Responsibility Manager
Ms Ana Villacañas Beades	General Organisation Manager

2013	
Mr. Agustín García Gila	Chairman of FCC Medio Ambiente
Mr. Eduardo González Gómez	Chairman of Energy and Chairman of Aqualia
Mr. Fernando Moreno García	Chairman of FCC Construcción, S.A.
Mr. Antonio Gómez Ciria	General Administration Manager
Mr. Miguel Hernanz Sanjuan	General Internal Audit Manager
Mr. Victor Pastor Fernández	General Finance Manager
Mr. José Luis Sáenz de Miera	Chairman and CEO of Cementos Portland Valderrivas
Mr. José Manuel Velasco Guardado	General Communication and Corporate Responsibility Manager
Ms Ana Villacañas Beades	General Organisation Manager

In the past, an insurance policy was arranged and the premium paid to meet payment of the contingencies relating to death, permanent occupational disability, retirement bonuses and other items for some of the Executive Directors and Executives of Fomento de Construcciones y Contratas, S.A. (see Note 4-l). In 2014 a further contribution was made in the form of premiums for this insurance amounting to EUR 1,711 thousand (2013: EUR 800 thousand) and income amounting to EUR 609 thousand was received for rebates on premiums paid previously (2013: EUR 3,259 thousand).

Except as indicated in the foregoing paragraphs, no other remuneration, advances, loans or guarantees have been granted to the Directors and there are no pension or life insurance obligations to former or current Directors.

d) Detail of investments in companies engaging in similar activities and performance of similar activities by the Directors or persons related to them as independent professionals or as employees

In relation to the investments held by the Directors of Fomento de Construcciones y Contratas, S.A., or persons related to them, in the share capital of companies outside the FCC Group; or in relation to whether they, as independent professionals or as employees, engage in a similar or complementary activity to that which constitutes the company object of the Group; or in relation to whether they themselves or a person acting on their behalf have performed, with the Company or with any company of the same Group, other transactions outside the course of the Company's ordinary business operations or in conditions that were not on an arm's length basis; it should be mentioned that the aforementioned Directors have stated that they or persons related to them:

- Do not carry on, as independent professionals or as employees, any activity that is identical, similar or complementary to the activity that constitutes the Company's object.

- Do not own any investments in the share capital of companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Fomento de Construcciones y Contratas, S.A.

- Had not performed, with the Company or any company of the same Group, other transactions outside the course of the Company's ordinary business operations, or in conditions that were not on an arm's length basis.

The detail of the Directors who hold positions at companies in which Fomento de Construcciones y Contratas, S.A. holds a direct or indirect ownership interest is as follows:

Name or company name of Director	Group company name	Position
EAC INVERSIONES CORPORATIVAS, S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A. FCC CONSTRUCCIÓN, S.A.	DIRECTOR DIRECTOR
Mr. JUAN BÉJAR OCHOA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
Mr. RAFAEL MONTES SÁNCHEZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
Mr. FELIPE B. GARCÍA PÉREZ	FCC CONSTRUCCION, S.A. FCC POWER GENERATION, S.L., Sole-Shareholder Company	DIRECTOR-SECRETARY DIRECTOR-SECRETARY
EAC MEDIO AMBIENTE, S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
Mr. OLIVIER ORSINI	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
Mr. GUSTAVO VILLAPALOS SALAS	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR

These Directors hold positions or discharge functions and/or hold ownership interests of less than 0.01% in all cases in other FCC Group companies in which Fomento de Construcciones y Contratas, S.A. directly or indirectly holds a majority of the voting power.

At the end of 2014 neither the members of the Board of Directors of Fomento de Construcciones y Contratas, S.A. nor the persons related to them as defined in the Spanish Limited Liability Companies Law had notified the other members of the Board of Directors of any direct or indirect conflict of interest they might have with respect to the Company.

24. INFORMATION ON THE ENVIRONMENT

As indicated in Note 1, by their very nature, the Company's Environmental Services and Integral Water Management businesses are geared towards environmental protection and conservation, not only through the production activity itself (waste collection, operation and control of landfills, sewer cleaning, treatment and elimination of industrial waste, wastewater treatment, etc.), but also as a result of performing these activities using production techniques and systems designed to reduce environmental impact in accordance with the limits established in the relevant legislation.

The performance of production activities described above requires the use of specialised structures, plant and machinery that are efficient in terms of environmental protection and conservation. At 31 December 2014, the acquisition cost of the non-current assets assigned to the above activity totalled EUR 1,141,628 thousand (31 December 2013: EUR 1,170,094 thousand), with accumulated depreciation amounting to EUR 749,991 thousand (31 December 2013: EUR 735,759 thousand).

Company management considers that any possible contingencies in relation to the protection and improvement of the environment at 31 December 2014 would not have a material impact on the accompanying financial statements.

As indicated in Note 1, Fomento de Construcciones y Contratas, S.A. is the Parent of the FCC Group which operates various business lines and, due to the nature thereof, pays particular attention to controlling the impact on the environment. These matters are discussed in detail in the Group's Corporate Social Responsibility report, which is published annually on FCC's website, www.fcc.es, among other channels, and provides the reader with more representative information than that included in this Note.

25. OTHER DISCLOSURES

a) Employees

The average number of employees at the Company in 2014 and 2013 was as follows:

	2014	2013
Managers and university graduates	321	383
Professionals with qualifications	377	364
Clerical and similar staff	784	841
Other salaried employees	23,227	23,383
	24,709	**24,971**

At 31 December 2014 and 2013, the number of employees, Directors and Senior Executives of the Company, by gender, was as follows:

	Men	Women	Total
2014			
Directors	9	5	14
Senior Executives	6	1	7
Managers and university graduates	213	67	280
Professionals with qualifications	286	70	356
Clerical and similar staff	326	414	740
Other salaried employees	17,343	4,761	22,104
	18,183	**5,318**	**23,501**

	Men	Women	Total
2013			
Directors	13	5	18
Senior Executives	6	1	7
Managers and university graduates	244	89	333
Professionals with qualifications	270	66	336
Clerical and similar staff	351	416	767
Other salaried employees	17,929	4,786	22,715
	18,813	**5,363**	**24,176**

b) Fees paid to auditors

In 2014 and 2013 the fees for financial audit and other services provided by the Company's auditors, Deloitte, S.L., or by a company related to the auditors as a result of a relationship of control, common ownership or common management were as follows: fees paid to auditors: EUR 214 thousand (31 December 2013: same amount), fees for other attest services: EUR 1,241 thousand (31 December 2013: EUR 33 thousand), and fees for other services: EUR 263 thousand (31 December 2013: EUR 50 thousand).

The increase in fees for other attest services was due to the review work carried out by the Company's auditors, Deloitte, S.L., as a result of the refinancing and capital increase process that took place in 2014.

26. EVENTS AFTER THE REPORTING PERIOD

In relation to the New Restructuring Framework Agreement (see Note 17), it should be noted that, having been approved by 86.5% of the lending institutions, a court approval process was initiated in order to apply the conditions to all of the lending institutions. Once this had approved by the relevant court, legal proceedings were initiated for the presentation of challenges, which at the date of preparation of these consolidated financial statements has not yet ended.

27. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

GROUP COMPANIES

APPENDIX I

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Aparcamientos Concertados, S.A. Arquitecto Gaudí, 4 - Madrid -Car parks-	2,500	—	100.00	337	630	204	—	508	343
Armigesa, S.A. Pza. Constitución, s/n - Armilla (Granada) -Urban cleaning-	612	—	51.00	55	1,200	148	—	157	116
A.S.A. Abfall Service AG Hans-Hruschka-Gasse, 9 - Himberg (Austria) -Urban cleaning-	226,784	—	Direct 99.98 Indirect 0.02	—	5,000	27,242	—	(11,091)	135
Asesoría Financiera y de Gestión, S.A. Federico Salmón, 13 - Madrid -Financial services-	3,008	—	Direct 43.84 Indirect 56.16	—	6,843	31,840	—	2,372	(26,692)
Azincourt Investment, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Holding company-	1,445,686	1,333,466	100.00	—	4	852,574	—	(190)	(813,462)
Bvefdomintaena Beteiligungsverwaltung, GmbH Nottendorfer, 11 - Vienna (Austria) -Corporate vehicle-	155	—	100.00	—	35	6,246	—	(6,656)	(6,287)
Cementos Portland Valderrivas, S.A. Dormilatería, 72 - Pamplona -Cement-	409,552	—	Direct 70.22 Indirect 9.33	—	77,680	443,203	1,376	15,825	(31,187)
Compañía General de Servicios Empresariales, S.A., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	60	—	100.00	3	60	17	—	1	1
Corporación Española de Servicios, S.A. Federico Salmón, 13 - Madrid -Corporate vehicle-	44	—	Direct 99.99 Indirect 0.01	2	60	16	—	—	—
Dédalo Patrimonial, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Holding company-	61	61	100.00	—	61	(36,660)	—	3,633	(49,142)

GROUP COMPANIES

APPENDIX I/2

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Ecoparque Mancomunidad del Este, S.A. Federico Salmón, 13 - Madrid -Urban cleaning-	16,803	—	Direct 99.99 Indirect 0.01	—	16,805	7,754	—	3,386	1,019
Egypt Environment Services SAE Cairo - Egypt -Urban cleaning-	7,760	2,083	Direct 97.00 Indirect 3.00	712	36,400 (EGP)(*)	(1,356) (EGP)(*)	—	21,924 (EGP)(*)	17,882 (EGP)(*)
Empresa Comarcal de Serveis Mediambientals del Baix Penedés, ECOBP, S.L. Plaça del Centre, 3 - El Vendrell (Tarragona) -Urban cleaning-	200	—	66.60	213	540	109	181	633	369
Estructuras Energéticas Generales, S.A. Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	50	—	Direct 51.00 Indirect 49.00	—	60	50,219	—	(19)	(1,659)
Europea de Gestión, S.A., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	63	—	100.00	3	60	22	—	—	—
FCC Aqualia, S.A. Federico Salmón, 13 - Madrid -Water management-	254,768	—	100.00	—	145,000	509,897	—	73,003	29,566
FCC Equal CEE, S.L. Federico Salmón, 13 - Madrid -Social services-	3	3	Direct 99.97 Indirect 0.03	—	3	—	—	(42)	(35)
FCC Construcción, S.A. Balmes, 36 - Barcelona -Construction-	1,728,051	623,116	100.00	—	220,000	744,576	—	28,633	(358,616)
FCC Construcciones y Contratas Internacional, S.L. Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	3	—	100.00	—	3	—	—	—	—

GROUP COMPANIES

APPENDIX I/3

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
FCC Fomento de Obras y Construcciones, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	3	—	100.00	—	3	—	—	—	—
FCC Inmobiliaria Conycon, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	3	—	100.00	—	3	—	—	—	—
FCC Medio Ambiente, S.A. Federico Salmón, 13 - Madrid -Urban cleaning-	35,102	—	Direct 98.98 Indirect 1.02	—	43,272	28,259	—	25,614	4,925
FCC Power Generation, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Energy-	903	805	100.00	—	228	(275)	—	437	258
FCC Versia, S.A. Avenida Camino de Santiago, 40 - Madrid -Management company-	62,624	7,431	100.00	—	40,337	23,150	—	9,823	(24,458)
FCC 1, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	3	3	100.00	—	3	(4,493)	—	(2,326)	(2,394)
F-C y C, S.L., Sole-Shareholder Company Federico Salmón, 13 - Madrid -Corporate vehicle-	3	—	100.00	—	3	—	—	—	—
Fedemes, S.L. Federico Salmón, 13 - Madrid -Property development-	10,764	—	Direct 92.67 Indirect 7.33	2,679	10,301	18,228	—	1,770	1,084
Gandia Serveis Urbans, S.A. Llanterners, 6 - Gandia (Valencia) -Urban cleaning-	78	—	95.00	—	120	1,866	—	1,802	16

GROUP COMPANIES

APPENDIX I/4

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Geneus Canarias, S.L. Electricista, 2 Urb. Ind. De Salinetas Telde (Las Palmas) -Waste treatment-	1,762	—	100.00	—	1,714	346	558	391	139
Geral I.S.V. Brasil Ltda. Río Branco, 131 - 10º - Andar Parte Centro Rio de Janeiro (Brazil) -Vehicle roadworthiness testing-	21	—	99.99	—	—	—	—	—	—
Limpiezas Urbanas de Mallorca, S.A. Crta. Can Picafort, s/n - Santa Margalida (Balearic Islands) -Urban cleaning-	5,097	—	Direct 99.92 Indirect 0.08	—	308	4,330	—	862	458
Per Gestora Inmobiliaria, S.L. Federico Salmón, 13 - Madrid -Corporate vehicle-	71,543	9,679	Direct 99.00 Indirect 1.00	14,850	60	77,041	—	2,716	(14,591)
Serveis Municipals de Neteja de Girona, S.A. Pza. del vi, 1- Girona -Urban cleaning-	45	—	75.00	113	60	20	—	518	116
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A. Doctor Jiménez Rueda, 10- Atarfe (Granada) -Waste treatment-	1,334	21	60.00	—	2,224	(2)	—	(26)	(44)
Sistemas y Vehículos de Alta Tecnología, S.A. Federico Salmón, 13 - Madrid -High-technology equipment retailing-	5,828	—	99.99	—	180	5,155	—	1,225	461
Societat Municipal Medioambiental d'Igualada, S.L. Pl. del Ajuntament, 1 - Igualada (Barcelona) -Urban cleaning-	870	—	65.91	12	1,320	69	—	124	23
Tratamientos y Recuperaciones Industriales, S.A. Rambla Catalunya, 2-4 - Barcelona -Waste treatment-	21,455	14,421	Direct 74.92 Indirect 0.08	—	72	7,995	—	312	150

GROUP COMPANIES

APPENDIX I/5

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Valoración y Tratamiento de Residuos Urbanos, S.A. Riu Magre, 6 - Pol. Ind. Patada del Cid- Quart de Poblet (Valencia) -Waste treatment-	2,500	—	80.00	—	3,125	349	—	856	513
TOTAL	**4,316,102**	**1,991,090**		**18,979**					

(*) (EGP): Egyptian pounds.

NOTE:

- Of the companies shown above, only Cementos Portland Valderrivas, S.A. is a listed company and its market price at the balance sheet date was EUR 3.82. The average market price in the last quarter of 2014 was EUR 4.07.

- As required by Article 155 of the Consolidated Text of the Spanish Limited Liability Companies Law, in 2014 the Company made the requisite notifications to the companies in which it had acquired direct or indirect holdings of over 10%.

APPENDIX II

JOINT VENTURES

	% of ownership
ABASTECIMIENTO VILLALÓN	20.00
AGARBI	60.00
AGUAS TOMELLOSO	20.00
AKEI	60.00
ALCANTARILLADO MELILLA	50.00
ALUMBRADO BAZA	100.00
AQUALIA - FCC - OVIEDO	5.00
ARCOS	51.00
ARGÍ GUEÑES	70.00
ARUCAS II	70.00
ASEOS EMT UTE	50.00
AZUD VILLAGONZALO	20.00
BARBERA SERVEIS AMBIENTALS	50.00
BILBOKO LORATEGIAK	60.00
BILBOKO SANEAMENDU	50.00
BILBOKO SANEAMENDU BI	50.00
BIOCOMPOST DE ÁLAVA	50.00
BOADILLA	50.00
BOMBEO ZONA SUR	100.00
CAMÍ SA VORERA	20.00
CANA PUTXA	20.00
CANGAS	50.00
CASTELLAR DEL VALLÈS	50.00
CEMENTERIOS PERIFÉRICOS II	50.00
CENTRO DEPORTIVO GRANADILLA DE ABONA	20.00
CENTRO DEPORTIVO VILLENA	81.83
CGR GUIPUZCOA	35.14
CHIPIONA	50.00
CLAUSURA SAN MARCOS	40.00
COLEGIOS SANT QUIRZE	50.00
CONSERVACIÓN ALCORCON	50.00
CONSERVACIÓN DE GALERÍAS	50.00
CONSERVACION GETAFE	20.00
CONSERVACIÓN Y SISTEMAS	60.00
CONTENEDORES MÓSTOLES	30.00
CTR DE L'ALT EMPORDÀ	45.00
CTR-VALLÈS	20.00
CUA	50.00
CYCSA-EYSSA VIGO	50.00
DEIXALLERIES	20.00
DOS AGUAS	35.00
ECOPARQUE CÁCERES	50.00
ECOURENSE	50.00
EDAR ALMANSA	5.00
EDAR CUERVA	5.00
EDAR RANILLA	25.00
EDAR REINOSA	5.00
EDAR SAN VICENTE DE LA BARQUERA	5.00
EDIFICIO ARGANZUELA	99.99
ENERGÍA SOLAR ONDA	25.00
ENVASES LIGEROS MALAGA	50.00
EPELEKO PLANTA	35.00
ERETZA	70.00
EXPL. PL. BIO LAS DEHESAS	50.00
F.L.F. LA PLANA	47.00
F.S.S.	99.00
FCC SANEAMIENTO LOTE D	100.00
FCC, S.A. LUMSA	50.00
FCC - ACISA - AUDING	45.00
FCC - AQUALIA SALAMANCA	5.00
FCC - ERS LOS PALACIOS	50.00
FCC - FCCMA ALCOY	20.00
FCC - FCCMA R.B.U. - L.V. JAVEA	20.00
FCC - FCCMA R.B.U. SAN JAVIER	20.00
FCC - FCCMA SEGRIÀ	20.00

APPENDIX II/2

	% of ownership
FCC - HIJOS DE MORENO, S.A.	50.00
FCC - PALAFRUGELL	20.00
FCC - PERICA	60.00
FCC - SUFI MAJADAHONDA	50.00
FCCSA - GIRSA	80.00
FCCSA - VIVERS CENTRE VERD, S.A.	50.00
FUENTES XÀTIVA	50.00
G. RESIDUOS AENA PALMA	100.00
GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40.00
GESTIÓN INSTALACIÓN III	34.99
GESTIÓN PISCINA DE MULA	20.00
GESTION SERVICIOS DEPORTES CATARROJA	100.00
GIREF	20.00
GIRSA - FCC	20.00
GUADIANA	20.00
IBIZA	50.00
INTERIORES BILBAO	80.00
JARD. UNIVERSITAT JAUME I	50.00
JARDINES MOGAN	51.00
JARDINES PROTECCIÓN ESPECIAL	50.00
JARDINES TELDE	95.00
JUNDIZ	51.00
JUNDIZ II	51.00
KABIEZESKO KIROLDEGIA	60.00
LA CANDA	30.00
LA LLOMA DEL BIRLET	80.00
LEGIO VII	50.00
LEKEITIOKO MANTENIMENDUA	60.00
LIMPIEZA CARRIL BUS	30.00
LIMPIEZA Y RSU LEZO	55.00
LODOS ARAZURI	50.00
LOGROÑO LIMPIO	50.00
LOTES A Y B FUENLABRADA 2010	50.00
LV Y RSU ARUCAS	70.00
LV ZUMARRAGA	60.00
MANACOR	30.00
MANCOMUNIDAD DE ORBIGO	20.00
MANTENIMENT REG DE CORNELLÀ	60.00
MANTENIMIENTO DE COLEGIOS II	60.00
MANTENIMIENTO DE COLEGIOS III	60.00
MELILLA	50.00
MÉRIDA	10.00
MMT 5º CONTENEDOR	60.00
MNTO. MEDITERRANEA FCC	50.00
MNTO. INSPECCION DE TRABAJO	100.00
MURO	20.00
MUSKIZ III	70.00
NERBIOI IBAIZABAL 5º CONTENEDOR	60.00
NIGRÁN	10.00
ONDA EXPLOTACIÓN	33.33
PÁJARA	70.00
PAMPLONA	80.00
PASAIA	70.00
PASAIAKO PORTUA BI	45.00
PAVIMENTO ZONA I	50.00
PISCINA CUB. MUN. ALBATERA	93.00
PISCINA CUB. MUN. L'ELIANA	100.00
PISCINA CUBIERTA BENICARLO	65.00
PISCINA CUBIERTA C. DEP. ALBORAYA	99.00
PISCINA CUBIERTA MANISES	100.00
PISCINA CUBIERTA PAIPORTA	90.00
PLA D'URGELL	100.00
PLANTA RSI TUDELA	60.00
PLANTA TR. FUERTEVENTURA	70.00
PLANTA TRATAMIENTO VALLADOLID	90.00

APPENDIX II/3

	% of ownership
PLATGES VINAROS	50.00
PLAYAS GIPUZKOA	55.00
PLAYAS GIPUZKOA II	55.00
UTE PONIENTE ALMERIENSE	50.00
POSU - FCC VILLALBA	50.00
POZUELO	20.00
PUERTO DE PASAIA	55.00
PUERTO DE PTO. DEL ROSARIO	70.00
PUERTO	50.00
PUERTO II	70.00
QUINTO CONTENEDOR	50.00
RBU VILLA-REAL	47.00
R.S. UTE PONIENTE ALMERIENSE	50.00
REDONDELA	10.00
REPARACIONES CASA CAMPO	100.00
REPOSTADOS ENTREVÍAS	50.00
RESIDENCIA	50.00
RESIDUOS 3 ZONAS NAVARRA	60.00
RSU TOLOSALDEA	60.00
S.U. BENICASSIM	35.00
S.U. BILBAO	60.00
S.U. OROPESA DEL MAR	35.00
SALTO DEL NEGRO	50.00
SAN FERNANDO	20.00
SANEAMIENTO URBANO CASTELLÓN	65.00
SANEJAMENT CELLERA DE TER	50.00
SANEJAMENT MANRESA	80.00
SANT QUIRZE DEL VALLÉS	50.00
SANTOMERA	60.00
SANTURTZIKO GARBIKETA	60.00
SANTURTZIKO GARBIKETA II	60.00
SASIETA	75.00
SAV - FCC TRATAMIENTOS	35.00
SELECTIVA LAS PALMAS	55.00
SELECTIVA SAN MARCOS	65.00
SELECTIVA SAN MARCOS II	63.00
SELECTIVA UROLA-KOSTA	60.00
SELLADO VERTEDERO LOGROÑO	50.00
SERAGUA-FCC-VIGO	50.00
SIMÓN HERNÁNDEZ	50.00
SOLARES CEUTA	50.00
STA. COLOMA DE GRAMANET	61.00
S.U. ALICANTE	30.00
TABLADA	20.00
TOLOSAKO GARBIKETA	40.00
TORREJÓN	25.00
TRANSPORTE DEBARRENA TXINGUDI	60.00
TRANSPORTE SAN MARCOS	80.00
TREMP	51.00
TÚNEL PUERTO ALGECIRAS	30.00
TXINGUDIKO GARBIKETA	73.00
UROLA ERDIA	60.00
URRETXU Y ZUMARRAGA	65.00
URTETA	50.00
VALDEMORO	100.00
VALDEMORO 2	100.00
VERTEDERO GARDELEGUI II	70.00
VERTEDERO TALES Y CORTES	50.00
VERTRESA	10.00
VIDRIO MELILLA	50.00
VIGO RECICLA	70.00
VILLALÓN DE CAMPOS	20.00
VINAROZ	50.00
ZAMORA LIMPIA	30.00
ZARAGOZA DELICIAS	51.00
ZARAUZKO GARBIETA	60.00
ZUMAIA	60.00
ZURITA	50.00
ZURITA II	50.00

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

APPENDIX III

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Ecoparc del Besòs, S.A. Rambla Cataluña, 91-93 - Barcelona -Urban cleaning-	2,621	—	Direct 31.00 Indirect 54.00	403	7,710	1,299	17,986	4,428	1,556
Ecoserveis Urbans Figueres, S.L. Avda. Alegries, s/n - Lloret de Mar (Girona) -Urban cleaning-	301	—	50.00	177	601	116	—	223	269
Empresa Mixta de Limpieza de la Villa de Torrox, S.A. Pz. de la Constitución, 1 - Torrox (Málaga) -Urban cleaning-	300	—	50.00	115	600	280	—	231	157
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A. Avda. Zorreras, 1 - Rincón de la Victoria (Málaga) -Urban cleaning-	300	—	50.00	122	601	229	—	155	53
FM Green Power Investments, S.L. Federico Salmón, 13 - Madrid -Energy-	273,514	266,286	49.00	—	86,753	200,158	—	—	(48)
Gestión Integral de Residuos Sólidos, S.A. Profesor Beltrán Ibaquena, 4 - Valencia -Urban cleaning-	10,780	4,797	49.00	—	13,124	216	367	(1,559)	(1,752)
Ingeniería Urbana, S.A. Pol. Industrial Pla de Vallonga, s/n - Alicante -Urban cleaning-	3,786	—	35.00	527	6,010	5,692	—	1,499	1,420
Palacio de Exposiciones y Congresos de Granada, S.A. Ps del Violón, s/n - Granada -Equipment management-	255	255	50.00	—	510	(1,148)	—	(759)	(583)

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

APPENDIX III/2

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2014 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Pallars Jussà Neteja i Serveis, S.A. Pau Casals, 14 - Tremp (Lleida) -Urban cleaning-	25	—	40.00	17	60	2	—	4	3
Port Torredembarra, S.A. Edificio Capitanía Puerto Deportivo y Pesquero Torredembarra (Tarragona) -Operation of marinas-	304	—	Direct 15.71 Indirect 13.09	—	1,865	203	—	(189)	(188)
Realia Business, S.A. Paseo de la Castellana, 216 - Madrid -Real estate-	125,617	66,090	Direct 34.31 Indirect 2.65	—	73,769	129,208	—	(14,481)	(41,327)
Servicios Urbanos de Málaga, S.A. Ulises, 18 - Madrid -Urban cleaning-	1,610	—	51.00	297	3,156	630	—	—	—
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4,367	—	Direct 24.00 Indirect 2.00	1,130	347,214 (MXN)(*)	334,333 (MXN)(*)	—	221,772 (MXN)(*)	100,121 (MXN)(*)
TOTAL	**423,780**	**337,428**		**2,788**					

(*) (MXN): Mexican Pesos.

NOTE :

- Of the companies shown above, only Realia Business, S.A. is a listed company and its market price at the balance sheet date was EUR 0.51. The average market price in the last quarter of 2014 was EUR 0.87.

- As required by Article 155 of the Consolidated Text of the Spanish Limited Liability Companies Law, in 2014 the Company made the requisite notifications to the companies in which it had acquired direct or indirect holdings of over 10%.

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Directors' Report

This report was prepared in accordance with the guidelines established in the "Guide for the preparation of directors reports of listed companies" published by the Spanish National Securities Market Commission (CNMV).

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

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1. COMPANY SITUATION

Fomento de Construcciones y Contratas, S.A. is the Parent of the FCC Group and holds direct or indirect ownership of the investments in the Group's businesses and areas of activity. Consequently, with a view to providing information on the economic and financial events that took place during the year, placing them in their appropriate context, the Individual Director's Report of the FCC Group is as follows.

1.1. Company situation: Organisational structure and management decision-making process

On a primary level, the organisational structure of the FCC Group is composed of areas, which are divided into two large groups: operating and functional.

The operating areas encompass all the activities relating to the production line. As described in greater detail in Note 1 to the consolidated financial statements, the FCC Group is composed of the following operating areas:

- **Environmental Services.**

- **Integral Water Management.**

- **Construction.**

- **Cement.**

Each of these operating areas is presided over by one or various Specialised Companies, which report to FCC and encompass the activities inherent to the Group.

The functional areas that provide support to the operating areas are as follows:

- **General Secretariat**: legal affairs of the FCC Group and coordination of the functioning of the various managing bodies.

- **Organisation**: includes the Human Resources, Information Technologies and Systems and Aggregate Purchases departments.

- **Administration:** administrative management, general accounting, tax management and administrative procedures.

- **Finance**: financial management of the FCC Group, relations with financial institutions, capital markets, shareholders, stock markets and the Spanish National Securities Market Commission (CNMV), financial analysis of investments, integrated Group financial management and control, management, budgetary and planning control.

- **Internal Audit**: effective oversight of the Internal Control System, which contributes to Good Corporate Governance, verifies correct compliance with applicable regulations and reduces the potential impact of risks in the attainment of the FCC Group's objectives.

- **Communication and Corporate Responsibility**: management of Communication Services, Corporate Image and Corporate Responsibility.

On a secondary level, the areas may be divided into Sectors – operating sectors – and divisions – functional divisions - , creating spheres permitting greater specialisation when required.

The structure of the decision-making bodies is as follows:

- **Board of Directors**: this is the body with the most wide-reaching, unrestricted powers, except for those expressly reserved by the Spanish Limited Liability Companies Law or the Bylaws, to the powers of the shareholders at the General Meeting.
- **Strategy Committee**: this supports the Board of Directors in determining the Group's strategy, in accordance with the guidelines agreed by the latter, by preparing the corresponding reports and proposals, reporting on the investment and divestment proposals, association agreements, third-party agreements, development of new lines of business and financial transactions that might affect the Group's strategy.
- **Executive Committee**: the Board of Directors delegates the most wide-reaching powers to the Executive Committee, which may exercise all the functions and powers conferred by the Bylaws and the Spanish Limited Liability Companies Law to the Board of Directors, with the sole exception of those that cannot be delegated.
- **Audit and Control Committee**: its main function is to support the Board of Directors in its supervisory tasks, through the periodic review of the process for preparing economic and financial information, its internal controls and independence of the external auditor.
- **Nomination and Remuneration Committee**: this supports the Board of Directors in relation to the proposals for the nomination, re-election, ratification and termination of Directors, establishes and controls the remuneration policy of the Company's Directors and Senior Executives and the fulfilment by the Directors of their duties, particularly in relation to situations of conflicts of interest and related-party transactions.
- **Management Committee**: transaction of business which requires coordinated actions between various areas of activity.

More detailed information on the functions of the FCC Group's decision-making bodies is provided in section 1 of the Internal Control over Financial Reporting system (ICFR).

1.2 Company situation: Company business model and strategy

1.2.1. Business model

FCC is one of the main European groups specialised in environmental services and infrastructure development, with a presence in over 20 countries worldwide. Over 44% of its billings arise from international markets, mainly Europe, Latin America and the United States.

Environmental Services

The Environmental Services Area has a solid presence in Spain and has been leader in the provision of environmental urban services for over 100 years, with a solid presence in the international sphere. In Spain, activities are performed through offices of the Parent and the specialised companies FCC Medio Ambiente, S.A. and FCC Ámbito, S.A., which engages in industrial waste management. Also, international business is carried on mainly by its subsidiary FCC Environment (UK) Limited, whose registered office is located in the UK, and by the A.S.A Group, which operates in Austria and Eastern Europe. Both subsidiaries are leaders in the integral management of urban solid waste and energy recovery. Consequently, FCC's main line of business is considerably diverse in geographical terms, with 43.8% of total revenues stemming from international markets.

Environmental services generate recurring cash flows since they are based on long-term contracts (5-10 year contracts in waste collection and up to 30 years in urban waste treatment).

In Spain, FCC is leader in waste collection, street cleaning and green area upkeep, the contracts of which have a very high renewal rate upon expiry, and efforts are made to obtain new contracts.

The Environmental Services Area also includes the Industrial Waste sector, where FCC operates mainly in Spain and Portugal.

In Spain, it manages hazardous waste (with a market share of approximately 25%, making it market leader); and non-hazardous waste. In relation to recoverable non-hazardous industrial waste, FCC focuses mainly on paper and cardboard. It also operates in soil decontamination.

With regard to its international activities in Portugal, FCC is focused on the management and treatment of hazardous industrial waste. The company is leader with a market share of approximately 60%.

The Division's global activities saw an increase compared to 2013.

Integral Water Management

Like Environmental Services, Integral Water Management generates recurring cash flows, since it is based on long-term contracts (up to 30 years in water management and distribution).

91.9% of the income from this line derives from water management and distribution, where FCC estimates that it is ranked number two in terms of leadership in Spain through its subsidiary Aqualia, and number three in the Czech Republic through Aqualia Czech. Also, approximately 16.0% of the income generated by the water business hails from international markets.

FCC Aqualia is the sixth largest operator in the world and is ranked third in the private capital companies sector, according to the magazine Global Water Intelligence, the most widely renowned media source and main benchmark in the international water industry. This position enables FCC Aqualia to compete on an equal-footing basis in any international tender process, in a market which is still dominated by two major French operators.

In 2014 the volume of water sales in Spain stabilised for the first time since the economic crisis unfolded. A number of regulatory measures are also being implemented, which strengthen private water management in Spain, an activity with an ever-growing technological component, accompanied by service quality excellence aimed at guaranteeing a clean and healthy water supply for human consumption and, consequently, safeguarding human health. Such were the recent findings by the Spanish consumer organisation OCU, which, at the end of 2014, published an independent study on the quality of the water supply in 62 Spanish locations, nine of which were managed by FCC Aqualia. The OCU report classified the water supply as "Very good" and "Good".

Construction

The area's activity is divided into four lines of business:

- Civil engineering: Represents 77% of the area's revenues. Its activity is focused, inter alia, on the construction of roads, bridges, tunnels, railway infrastructure, airports, hydroelectric and port work.

- Non-residential building: Represents 13% of the area's revenues. Its activity is focused, inter alia, on the construction of administrative, health, cultural and sports centres.

- Residential building: Represented 3% of the area's revenues. Its activity is focused, inter alia, on the construction of housing units, housing developments and car parks.

- Industrial: Represents 7% of the area's revenues. Its activity is focused, inter alia, on the construction of mechanical and electrical facilities, distribution networks, generation plants, energy maintenance and efficiency.

The revenues from international markets represent approximately 50% of the total.

Cement

The FCC Group carries on its cement activity through Cementos Portland Valderrivas, S.A. (CPV), a company listed on the Spanish stock market interconnection system, in which it holds a 78% ownership interest. FCC's ownership interest in Cementos Portland Valderrivas was strengthened following the capital increase carried out in 2014. Its activity is geared towards the operation of quarries and mineral deposits for the manufacture of cement, which entails approximately 86% of the activity's total income. The remaining 14% is contributed by waste management and the concrete, mortar and aggregates businesses.

With regard to its geographical diversification, 64% of income comes from international markets. CPV is present in Spain, Tunisia and the US, although the company also exports mainly to the UK, North Africa and Canada.

CPV has an estimated penetration of 22% in Spain and 21% in Tunisia.

1.2.2. Company strategy

Throughout 2014 the Company continued to implement the measures set out in its 2013-2015 Strategic Plan and the year drew to a close with a 1,000 euro million capital increase, allowing the repayment of 900 million euro in refinanced debt recognised at the Group's parent, a debt of 100 million euro at Azincourt Investments, S.L and 100 million euro at Cementos Portland Valderrivas. The latter took place in February.

A number of successful changes were made at the Company under the aforementioned Strategic Plan, i.e. lower dependence on the economic cycle and a decrease in major individual projects. However, these achievements did not hamper the operating flexibility we need in order to develop our businesses.

Our strategic objectives are based on strengthening our position as world leader in Environmental Services and Integral Water Management businesses, while we maintain our presence in the cement industry and in highly profitable construction projects. The Group's strategy is based on the following main pillars:

1. Strengthen the Environmental Services and Integral Water Management businesses

The Integral Water Management and Environmental Services Areas are a profitable business model and are low risk. Consequently, our strategy is focused on strengthening our position as world leader in both Environmental Services and the water industry, as well as in the cement market, with a presence in profitable construction projects. Furthermore, we will create new lines of business to support our international growth and permit expansion throughout Latin America, Central Europe, the Middle East, North Africa and the US.

2. International expansion of the Environmental Services and Integral Water Management businesses

The expansion of Environmental Services and Integral Water Management is key to our strategy. We consider that the growth of these areas reduces our company risk and boosts our geographical diversification. In Environmental Services, Latin America is a noteworthy target for new opportunities, whilst we leverage our businesses in central Europe. For the Integral Water Management business, our goal is to expand throughout Latin America, the Middle East, North Africa and the US, while availing of our presence in Spain. In order to achieve these objectives, we have specialised team that are widely experienced in international expansion, including penetrating new markets such as Chile, Tunisia and Saudi Arabia.

3. Strengthen flexibility and profitability in construction-related activities

We do not wish to have a capital-intensive business model for construction projects and we enhance the flexibility of our operations, maximising revenues and optimising costs.

4. Optimise the capital structure

Our objective is to achieve a viable capital structure with reasonable liquidity indicators. To pursue this end, we have put in place a number of measures, including refinancing and a strategic divestment plan. We are also focused on maintaining the flexibility required to achieve growth opportunities.

2. BUSINESS PERFORMANCE AND RESULTS

2.1. Operating performance

2.1.1. Highlights

Successful capital increase in the amount of 1,000 million euro

The Extraordinary General Shareholders' Meeting held on 20 November 2014, approved a capital increase with preferential subscription rights, in the amount of 1,000 million euro, which was launched by the Board of Directors of the 27th of the same month, equivalent to 133,269,083 new shares at a subscription price of 7.5 euro per share. On 19 December 2014, it was completed with the full subscription of the new shares and a bid-to-cover ratio for the shares of more than 9.2 times. Accordingly, the current share capital stands at 260,572,379 shares.

The transaction has reduced debt, through the partial prepayment and restructuring of Tranche B included in the bank refinancing signed on June 2014, and has covered other engaged investment needs. It has also strengthened the equity structure and the Group result by reducing the financial burden.

Entry of a new significant shareholder into the capital of FCC

On 27 November 2014, the Company communicated the successful negotiations between the controlling shareholder (B1998) and Control Empresarial de Capitales S.A. de C.V. (CEC), controlled by the Slim family. Subsequently, during the preferential subscription period of the capital increase carried out by the FCC Group, CEC signed a total of 66,794,810 newly issued FCC shares, representing 25.6% of the share capital of FCC after the capital increase.

Following the transaction and the recent capital reduction at B1998, the resulting significant shareholder structure of FCC is: 25.6% held by CEC, 22.4% held by B1998, and 5.7% held by BGI (Funds linked to Bill Gates).

FCC Construction obtains large new railway contracts outside Spain

Two consortia led by the Construction area obtained contracts totalling over 3,800 million euro for the year as a whole. Two underground metro projects are notable among the latter. It was awarded the contract to design and build line 2 of Lima Metro and a branch of line 4 for 3,300 million euro. The execution period envisioned is five years, after which the 30-year operation period will commence. In the Middle East, an FCC Construction-led consortium obtained a contract to build the Red line of Doha metro (Qatar) for 500 million euro.

The works portfolio attributable to FCC Construction reflects 6,213 million euro at year end, guaranteeing over 35 months' work aligned with a profitable and selective positioning process.

FCC Aqualia consolidated its presence in the Middle East and North Africa

FCC Aqualia, parent of the Water area, was awarded a contract for the construction of the Djerba desalination plant (Tunisia) for a total of 70 million euro. The contract includes the start-up and operation of a plant which will supply water to a total of 150,000 people.

Moreover, the company has won —as part of a consortium— a tender worth 300 million euro for the development and management of the sewerage network of Al Dhakhira (Qatar) over the next 10 years, with a served population of over 200,000 inhabitants. This contract marks the entry into the country and adds to its strategic presence in the area together with the concessions awarded previously in Saudi Arabia and UAE. With this new international expansion, FCC Aqualia is now present in over 15 countries as part of its selective expansion process in Europe, MENA and Latin America. With these new additions, the total population served amounts to 23.5 million users, with an income portfolio of 15,114 million euro at year-end, a growth of 1.7%.

Compliance with the divestment plan reach 80% completion, with 1,740 million euro

Since the current Strategic Plan was implemented in the second quarter of 2013, the group has already completed and agreed on divestments of non-core assets amounting to 1,740 million euro; this means that 79% of the target of 2,200 million euro has been reached.

Regarding those completed in 2014, notable is the sale of the Logistics business for 32 million euro, the agreement to divest Cemusa (street furniture) for 80 million euro —which is now only awaiting certain administrative authorisations in order to complete the transfer— and the sale of FCC Environmental (industrial waste in USA) last month of October, for 69 million euro.

Among the assets pending sale in coming quarters, notable is the 50% stake in Globalvía, together with real estate assets and stakes in infrastructure concessions.

2.1.2 EXECUTIVE SUMMARY

- ◊ Revenues fell by 6.2% to 6,334.1 million euro, mainly due to the ongoing contraction in demand in Spain's construction sector and the more selective growth pursued in this area overseas.
- ◊ EBITDA grew by 12.1% to 804 million euro, thanks to the efficiency and restructuring measures implemented and the stability provided by the environmental "utilities" areas. Thus, the operating margin has increased over the year to 12.7%, compared to 10.6% in 2013.
- ◊ The business portfolio remains at historic highs of 32,996.5 million euro (-1.1% with respect to 31 December 2013), buoyed by the expansion in the Water area.
- ◊ Net attributable loss was -724.3 million euro, due to the accounting impact of non-recurring provisions and impairments in the amount of 781 million euro, with there being no impact on the cash flow for the year, completing the restructuring cycle undertaken since 2013.
- ◊ Net borrowings were reduced by 15.9% after the capital increase carried out in December and stood at 5,016 million euro at the end of 2014.

NOTE: ASSETS HELD FOR SALE

The residual assets and liabilities in the Versia business (Cemusa) have been designated as "*held for sale*" since 30 June 2013 and are pending completion of the sale. In the same terms, it has registered those corresponding to the shares in GVI since 31 December 2013 (see note 2.1.5.3). Accordingly, their earnings are recognised under "*results from discontinued operations*" (Note 2.1.4.5.2). Realia has also been reclassified as a continuing activity since 31 December 2014.

As a result of these changes, the income statement and cash flow statement for 2013 have been restated to enable comparison.

KEY FIGURES

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Net Revenues	6,334.1	6,750.0	-6.2%
EBITDA	804.0	717.3	12.1%
EBITDA margin	12.7%	10.6%	*2.1 p.p*

EBIT	(345.6)	(307.7)	12.3%
Ebit margin	*-5.5%*	*-4.6%*	*-0.9 p.p*
Income attributable to equity holders of the parent company	(724.3)	(1,506.3)	-51.9%
Operating cash flow	608.9	774.8	-21.4%
Investment cash flow	(167.2)	(411.5)	-59.4%

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Net equity	495.4	243.2	103.7%
Net interest-bearing debt	5,016.0	5,964.5	-15.9%
Backlog	32,996.5	33,352.5	-1.1%

2.1.3. SUMMARY BY BUSINESS AREA

Area	Dec. 14	Dec. 13	Chg. (%)	% of 2014 total	% of 2013 total
(million euro)					
REVENUE BY BUSINESS AREA					
Environmental Services	2,805.0	2,770.6	1.2%	44.3%	41.0%
Water	954.0	945.6	0.9%	15.1%	14.0%
Construction	2,076.1	2,597.1	-20.1%	32.8%	38.5%
Cement	542.9	540.9	0.4%	8.6%	8.0%
Corp. services & adjust.	(43.9)	(104.2)	-57.9%	-0.7%	-1.5%
Total	**6,334.1**	**6,750.0**	**-6.2%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	3,540.5	3,880.1	-8.8%	55.9%	57.5%
UK	931.8	840.7	10.8%	14.7%	12.5%
Latin America	672.7	923.0	-27.1%	10.6%	13.7%
Central & Eastern Europe	520.0	560.4	-7.2%	8.2%	8.3%
MENA	338.9	178.1	90.3%	5.4%	2.6%
US and Canada	203.5	241.3	-15.7%	3.2%	3.6%
Others	126.7	126.4	0.2%	2.0%	1.9%
Total	**6,334.1**	**6,750.0**	**-6.2%**	**100.0%**	**100.0%**
EBITDA					
Environmental Services	418.3	424.6	-1.5%	52.0%	59.2%
Water	208.4	193.7	7.6%	25.9%	27.0%
Construction	98.2	94.3	4.1%	12.2%	13.1%
Cement	104.8	50.4	107.9%	13.0%	7.0%
Corp. services & adjust.	(25.7)	(45.7)	-43.8%	-3.2%	-6.4%
Total	**804.0**	**717.3**	**12.1%**	**100.0%**	**100.0%**
EBIT					
Environmental Services	(437.8)	(68.5)	N/A	126.7%	22.3%
Water	123.9	115.9	6.9%	-35.9%	-37.7%
Construction	27.8	(253.2)	-111.0%	-8.0%	82.3%
Cement	35.9	(24.2)	N/A	-10.4%	7.9%
Corp. services & adjust.	(95.4)	(77.7)	22.8%	27.6%	25.3%
Total	**(345.6)**	**(307.7)**	**12.3%**	**100.0%**	**100.0%**

Area	Dec. 14	Dec. 13	Chg. (%)	% of 2014 total	% of 2013 total
NET DEBT					
Environmental Services	1,764.4	2,162.5	-18.4%	35.2%	36.3%
Water	326.8	395.9	-17.5%	6.5%	6.6%
Construction	(212.3)	(164.1)	29.4%	-4.2%	-2.8%
Cement	1,304.3	1,363.7	-4.4%	26.0%	22.9%
Corp. services & adjust.	1,832.9	2,206.5	-16.9%	36.5%	37.0%
Total	**5,016.0**	**5,964.5**	**-15.9%**	**100.0%**	**100.0%**
BACKLOG					
Environmental Services	11,669.7	11,884.8	-1.8%	35.4%	35.6%
Water	15,113.8	14,859.5	1.7%	45.8%	44.6%
Construction	6,213.0	6,608.1	-6.0%	18.8%	19.8%
Total	**32,996.5**	**33,352.5**	**-1.1%**	**100.0%**	**100.0%**

2.1.4. INCOME STATEMENT

(million euro)	**Dec. 14**	**Dec. 13 (1)**	**Chg. (%)**
Net Revenues	**6,334.1**	**6,750.0**	**-6.2%**
EBITDA	**804.0**	**717.3**	**12.1%**
EBITDA margin	***12.7%***	***10.6%***	***2.1 p.p***
Non-recurring provisions	(98.0)	(358.7)	-72.7%
Impairment of non-current assets	(665.1)	(346.6)	91.9%
Amortisation of fixed assets	(404.3)	(425.8)	-5.0%
Other operating results	17.8	106.1	-83.2%
EBIT	**(345.6)**	**(307.7)**	**12.3%**
EBIT margin	***-5.5%***	***-4.6%***	***-0.9 p.p***
Financial income	(375.8)	(438.5)	-14.3%
Other financial results	(12.7)	(77.8)	-83.7%
Equity-accounted affiliates	(84.8)	34.3	-347.2%
Earnings before taxes (EBT) from continuing activities	**(818.8)**	**(789.7)**	3.7%
Corporate income tax expense	64.2	135.4	-52.6%
Result of continued operations	**(754.6)**	**(654.3)**	**15.3%**
Result of discontinued operations	21.2	(876.0)	-102.4%
Net Result	**(733.4)**	**(1,530.3)**	**-52.1%**
Minority interests	9.1	24.0	-62.1%
Income attributable to equity holders of the parent company	**(724.3)**	**(1,506.3)**	**-51.9%**

(1) *Figures have been restated for the sole purpose of complying with IFRS 11 "Joint arrangements".*

2.1.4.1. Net Revenues

The consolidated revenues of the Group totalled 6,334.1 million euro in 2014, a 6.2% decrease year-on-year.

Revenues from Construction fell 20.1% year-on-year due to the continued adjustment in recent years to public investment in infrastructure in Spain, where revenues have shrunk 28.3%. This is in addition to the fact that many important works in international markets are —as yet— in the initial phase; markets in which more selective growth objectives have been implemented and the company has focused on optimising profitability and cash generation, rather than expanding the activity.

Excluding the Construction business, revenues from the rest of the Group increased by 2.5%. In the area of Environmental Services, revenues rose 1.2% driven by business in the UK; while in the area of Water, revenues rose by 0.9% due to the strength of the concession business. In the area of Cement, revenues recorded a slight increase of 0.4% due to exports, which offset the decline in revenues in Spain, linked to the closure of unprofitable cement by-product sales.

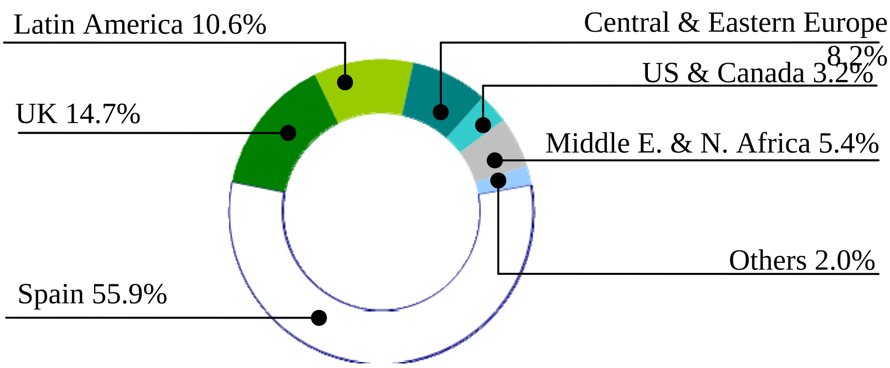
Revenue breakdown, by region			
(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Spain	3,540.5	3,880.1	-8.8%
UK	931.8	840.7	10.8%
Latin America	672.7	923.0	-27.1%
Central & Eastern Europe	520.0	560.4	-7.2%
Middle East & North Africa	338.9	178.1	90.3%
US and Canada	203.5	241.3	-15.7%
Others	126.7	126.4	0.2%
Total	**6,334.1**	**6,750.0**	**-6.2%**

By geographic area, the strong growth of 90.3% of revenues in Middle East and North Africa is worth attention. This is due to the commencement of works of the Riyadh metro in the Construction area. Income in Latin America fell by 27.1% mainly due to the completion of other projects such as the line 1 metro project and road re-structuring of Panama City. The works for the Lima metro are expected to start in the second quarter of 2015.

In the UK, revenues increased by 10.8% due to the commencement of the Mersey Gateway project, in the Construction area, and to the increase in the urban waste treatment, recycling and incineration activity in the Environmental area, in addition to the positive effect of the exchange rate of the British pound (+5.3%). In addition, during 2014, a number of urban waste recycling, processing and incineration facilities have started to operate.

Revenues fell by 7.2% in Central and Eastern Europe, mainly due to the termination of the civil works in Romania and Bulgaria, as well as the negative effect in the exchange rate in the Czech Republic (-5.7%). In USA and Canada, the 15.7% decrease in revenues was mainly due to the completion of the Toronto metro project in the Construction business.

% Revenues by region

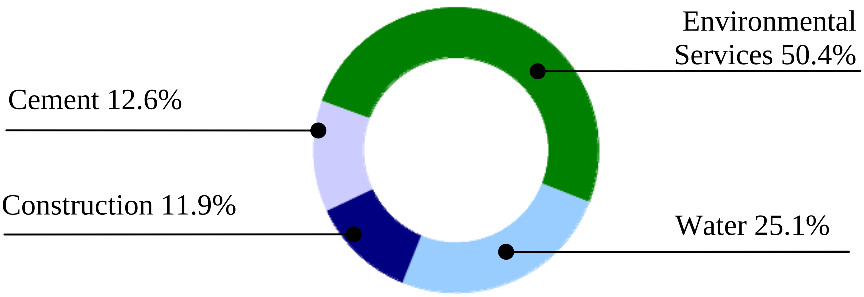


2.1.4.2. EBITDA

EBITDA amounted to 804 million euro in 2014, 12.1% increase compared to the same period from the previous year, and an improvement of 2.1 percentage points in the operating margin which climbed to 12.7%.

This improvement in profitability was due in large part to savings reached through the efficiency program and the restructuring measures implemented since the Strategic Plan launch, at the beginning of 2013. This is especially relevant in the Cement, Construction and Central Services areas.

% EBITDA by Business Area*



**Adjusted for Corporate Services*

2.1.4.3 Net Operating Profit (EBIT)

The net operating profit resulted in a negative balance of 345.6 million euro, after including non-recurring provisions and impairments of 748 million euro in the EBITDA, with no impact on the cash flow in the year, as well as the amortisation of property, plant and equipment and other operating results for a total amount of 401 million euro.

2.1.4.3.1 Non-recurring provisions

During the year, the Company has made non-recurring provisions totalling 98 million euro to cover both the impairment of real estate assets in the Construction area (in the amount of 34 million euro) and various risks at the level of the parent company (in the amount of 64 million euro).

In 2013, this line item included provisions amounting to 272.4 million euro to cover the valuation adjustment of assets, workforce restructuring costs and risks linked to certain international contracts in the area of Construction, in addition to a further 58.6 million euro in the area of Cement and 27.7 million euro in Corporate Services for restructuring costs.

2.1.4.3.2 Impairment of non-current assets

In 2014, an impairment of 649.7 million euro was recorded in the non-current assets of the subgroup FCC Environment (Environmental Services in the UK), as a result of the progressive closure forecast in some landfills which are no longer profitable due to lower volumes than expected as a result of a continued increase in the landfill tax in the past few years. This decision accelerates the change of the urban waste management business in the UK, giving considerably more weight to the recycling, recovery and treatment activity, so as to improve profitability in all the operations in the long-term.

In 2013, this line item included the impairment of the goodwill of the subgroup FCC Environment and of companies engaged in the industrial waste business in the amount of 262.7 million euro, together with the deterioration of other non-current assets amounting to 83.9

million euro —mainly concessions in the area of Construction and the concrete, mortar and aggregates businesses in the area of Cement.

2.1.4.3.3 Amortisation of fixed assets

The depreciation and amortization expense of property, plant and equipment in 2014 amounted to 404.3 million euro, which is 5% less than the previous year and in line with the Group's reduction in property, plant and equipment. This figure includes 44.8 million euro related to the amortisation of the increase assigned to various assets at the time of their inclusion in the Group.

2.1.4.3.4 Other operating results

Finally, the line item "other operating income" contributed 17.8 million euro, mainly from the sale of property, plant and equipment in the areas of Cement and Construction. The profit of 106.1 million euro in the same period of 2013 included 105 million euro in capital gains from the swap transaction and the sale of a terminal in the Cement area.

2.1.4.4 Earnings before taxes (EBT) from continuing activities

EBT reflected a negative balance of 818.8 million euro, after incorporating the following to EBIT:

2.1.4.4.1 Financial income

Net financial expense for the year amounted to 375.8 million euro, representing a decrease of 14.3% compared to 2013 thanks to the debt haircut in the amount of 135 million euro on the amortized amount (900 million euro) of Tranche B of the syndicated corporate loan. The aggregate finance costs at year-end included 40.5 million euro in capitalised interests corresponding to Tranche B.

The negative balance of 12.7 million euro in 2014 and 77.8 million euro in 2013 from "other financial results" are primarily due to the impairment of loans to affiliates in the area of Construction.

2.1.4.4.2 Equity-accounted affiliates

The equity-accounted affiliates had a negative impact in the amount of 84.8 million euro in 2014; of which 35.8 million euro correspond to Realia, while the rest mainly relate to losses and impairment of companies in the area of Construction.

The positive result of 34.3 million euro in 2013 included 52 million euro from the sale of 50% of Grupo Proactiva and 15 million euro from the sale of other assets, mainly investments in various concessions in the area of Construction, within the ongoing divestment programme. The stake in Realia contributed losses of 29.1 million euro.

2.1.4.5 Income attributable to equity holders of the parent company

Net attributable income in the year amounted to a negative balance of 724.3 million euro (compared to 1,506.3 million euro in 2013), after including the following items in EBT:

2.1.4.5.1 Income tax

Corporate income tax included a tax credit of 64.2 million euro (135.4 million euro in the previous year).

2.1.4.5.2 Result of discontinued operations

Profit from discontinued operations is at 21.2 million euro. During the year the company concluded the sale of FCC Logística, FCC Environmental (US) and 51% of FCC Energía. At year-end 2014, the sale of Cemusa is still pending formalisation, which is expected to be completed during the second quarter of 2015.

The loss of 876 million euro in 2013 related mainly to the decline in value of the Alpine shareholding to zero, including the financial result of the company until the time of its liquidation, for a net amount of 423.9 million euro, together with the impairment of the remaining assets held for sale in the net amount of 371.1 million euro.

2.1.4.5.3 Minority interests

The minority shareholders, mainly concentrated in the Cement area, reflect losses of 9.1 million euro (24 million euro in 2013).

2.1.5. BALANCE SHEET

(million euro)	**Dec. 14**	**Dec. 13 (1)**	**Change (M€)**
Intangible fixed assets	2,967.5	2,864.4	103.1
Tangible assets	3,175.6	3,753.1	(577.5)
Investments accounted for under the equity method	239.8	371.8	(132.0)
Non-current financial assets	426.7	386.8	39.9
Deferred tax assets and other non-current assets	1,044.2	1,082.0	(37.8)
Non-current assets	**7,853.8**	**8,458.1**	**(604.3)**
Non-current assets held for sale	1,002.5	2,172.5	(1,170.0)
Inventories	760.6	798.3	(37.7)
Trade and other receivables	2,488.4	2,819.3	(330.9)
Other current financial assets	380.4	396.3	(15.9)
Cash and cash equivalents	1,537.1	987.6	549.5
Current assets	**6,169.1**	**7,174.0**	**(1,004.9)**
TOTAL ASSETS	**14,022.9**	**15,632.1**	**(1,609.2)**
Equity attributable to equity holders of parent company	271.7	3.2	268.5
Minority interests	223.7	240.0	(16.3)
Net equity	**495.4**	**243.2**	**252.2**
Grants	239.3	228.7	10.6
Non-current provisions	1,157.9	1,092.5	65.4
Long-term borrowings	5,615.7	1,070.7	4,545.0
Other non-current financial liabilities	66.5	66.3	0.2
Deferred tax liabilities and other non-current liabilities	754.6	1,017.2	(262.6)
Non-current liabilities	**7,834.0**	**3,475.3**	**4,358.7**
Liabilities linked to non-current assets available for sale	776.9	1,729.2	(952.3)
Current provisions	288.5	341.4	(52.9)
Short-term financial debt	1,317.9	6,277.7	(4,959.8)
Other current financial liabilities	63.2	116.9	(53.7)
Trade and other creditors	3,247.0	3,448.4	(201.4)
Current liabilities	**5,693.5**	**11,913.6**	**(6,220.1)**
TOTAL LIABILITIES	**14,022.9**	**15,632.1**	**(1,609.2)**

(1) *Figures have been restated for the sole purpose of complying with IFRS 11 "Joint arrangements".*

2.1.5.1 Tangible assets

The balance of fixed tangible assets at 31 December totalled 3,175.6 million euro; 577.5 million euro less than on 31 December 2013 mainly due to the impairment of the fixed assets of the FCC Environment subgroup (in the UK), linked to the landfills business, as referred to in section 4.3.2.

2.1.5.2 Investments accounted for under the equity method

The balance of 239.8 million euro in investments made in investees comprised the following at 31 December:

1) 88.7 million euro for shareholdings in Water concession companies.
2) 81.8 million euro for the shareholding in companies in the Environmental Services area.
3) 54.4 million euro corresponding to the 36.9% shareholding in Realia.
4) 14.9 million euro corresponding to the remaining shareholdings and loans to investees.

The reduction of 132 million euro compared to 31 December 2013 is mainly due to the impairment and losses of investees in the Construction area.

2.1.5.3 Non-current assets and liabilities held for sale

The balance of 1,002.5 million euro in non-current assets held for sale at 31 December mainly includes the value of the assets linked to Cemusa, and to a lesser extent to the 50% shareholding in Globalvía. This line item has decreased by 1,170 million euro compared to the aggregate balance at 31 December 2013, due to the sale of FCC Logística, 51% of FCC Energía, FCC Environmental (US) and the reclassification of the Realia shareholding as an investment accounted for by the equity method.

These assets are in turn associated with liabilities in an aggregate amount of 776.9 million euro, which correspond entirely to Cemusa, mainly due to payment obligations related to the long-term exploitation rights of its street furniture advertising media.

2.1.5.4 Net equity

Net equity at 31 December amounted to 495.4 million euro, representing an increase of 252.2 million euro compared with the aggregate balance at year-end 2013, mainly due to the capital increase of 1,000 million euro undertaken last December which offsets the appropriation of attributable losses in the amount of 724.3 million euro. These losses correspond to non-recurring provisions, impairments totalling 748 million euro (pretax), as described in paragraphs 4.3.1 and 4.3.2.

2.1.5.5 Net interest-bearing debt

Net debt at 31 December 2014 stood at 5,016.0 million euro, representing a decrease of 948.5 million euro compared to year-end 2013, following the capital increase of 1,000 million euro completed last December.

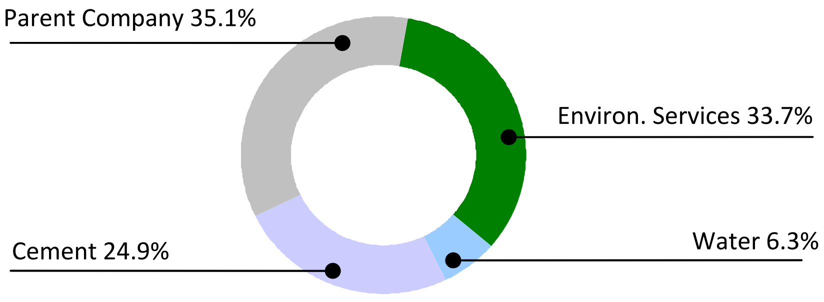
In the first half of fiscal year 2014, the FCC Group performed a refinancing transaction for its corporate bank debt worth 4,528 million euro, divided into a tranche A and a tranche B, for a period of four years (until June 2018), it extended by 6 years (until October 2020) the convertible bonds issued in October 2009, amounting to 450 million euro and it refinanced an additional 381 million pounds of bank debt corresponding to FCC Environment UK, without recourse to the parent company.

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (M€)**
Bank borrowings	5,756.4	6,228.4	(472.0)
Obligations (loans)	906.7	851.1	55.6
Finance leases	53.6	48.3	5.4
Derivatives and other financial liabilities	216.9	220.6	(3.7)
Gross interest-bearing debt	**6,933.6**	**7,348.4**	**(414.8)**
Cash and other financial assets	(1,917.6)	(1,383.9)	(533.7)
Net interest-bearing debt	**5,016.0**	**5,964.5**	**(948.5)**
With recourse	*2,798.3*	*3,775.8*	(977.5)
Without recourse	*2,217.7*	*2,188.7*	29.0

In addition, during the month of December, FCC performed a capital increase of 1,000 million euro against new cash contributions. Of this amount, 765 million euro were allocated to repay and amortise 900 million euro from tranche B of the corporate bank debt, with a debt haircut of 15%. A further 200 million euro have been used to reduce the indebtedness of the subsidiaries Cementos Portland Valderrivas and FCC Environment UK, and the remaining 35 million euro to cover the costs of the entire transaction.

Thus, the Group has managed to significantly reduce its debt level throughout the year, significantly increase their maturities and shore up its capital structure.

Net debt, by Business Area*

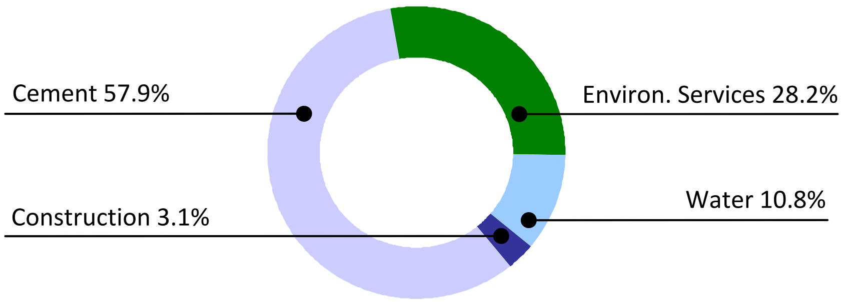


**Adjusted by net cash position in Construction*

By business unit, Environmental Services and Water accounted for 40% of the net debt, related to public, regulated and long-term services; 24.9% corresponded to Cement, which accounts for a great part of fixed assets on the balance sheet; and 35.1% to the parent company, which includes among others, the aforementioned 450 million euro convertible bond issue and the acquisition debt linked to different companies in various business activities.

The Group's net non-recourse debt amounted to 2,217.7 million euro at year end; 44.2% of the total.

Net debt without recourse, by area



It is worth noting that almost all of the debt linked to the Cement area (1,283.9 million euro) is non-recourse debt for the FCC Group. The remaining net non-recourse debt corresponds mainly to the Environment business, representing 625.5 million euro, of which 510 million euro correspond to the UK business, 80.6 million euro to the Central and Eastern Europe business and the remaining 34.9 million euro to other treatment and recycling plants in Spain and Portugal. Net non-recourse debt in the area of Water amounts to 240.2 million euro, of which 166.3 million euro correspond to business in the Czech Republic and the remaining 73.9 million euro to various end-to-end water management concessions in Spain. Lastly, non-recourse debt in the Construction area (68 million euro) is related to funding for two transport concessions.

2.1.5.6 Other current and non-current financial liabilities

The balance of other current and non-current financial liabilities amounted to 129.7 million euro and includes financial liabilities not classified as interest-bearing debt, such as those linked to suppliers of property, plant and equipment, and deposits and guarantees received.

2.1.6 CASH FLOW

(million euro)	Dec. 14	Dec. 13[1]	Chg. (%)
Funds from operations	**779.6**	**745.6**	**4.6%**
(Increase)/decrease in working capital	22.3	264.8	-91.6%
Income tax (paid)/received	(78.7)	(112.1)	-29.8%
Other operating cash flow	(114.3)	(123.5)	-7.4%
Operating cash flow	**608.9**	**774.8**	-21.4%
Investment payments	(485.5)	(479.6)	1.2%
Divestment receipts	227.6	310.7	-26.7%
Other investing cash flow	90.7	(242.6)	-137.4%
Investing cash flow	**(167.2)**	**(411.5)**	**-59.4%**
Interest paid	(358.5)	(402.3)	-10.9%
(Repayment)/issuance of financial liabilities	(554.4)	(211.1)	162.6%
Other financing cash flow	998.6	245.2	N/A
Financing cash flow	**85.7**	**(368.2)**	**-123.3%**
Exchange differences, change in consolidation scope, etc	22.2	(177.7)	-112.5%
Increase/(decrease) in cash and cash equivalents	**549.6**	**(182.6)**	**N/A**

(1) Figures have been restated for the sole purpose of complying with IFRS 11 "Joint arrangements".

2.1.6.1 Operating cash flow

The operating cash flow generated during the year amounted to 608.9 million euro, compared with 774.8 million euro in 2013, which included a non-recurring positive effect deriving from the implementation of the supplier payment funds which contributed to a reduction in working capital of 264.8 million euro.

As planned, working capital recorded a significant reduction in the fourth quarter and ended the year with an improvement of 22.3 million euro, despite the adverse effect of the lower volume of trade receivables assigned to financial institutions amounting to 130.6 million euro, reaching a balance of 159.9 million euro at 31 December 2014.

(million euro)	Dec. 14	Dec. 13	Change (M€)
Environmental Services	(8.2)	205.9	(214.1)
Water	21.6	7.2	14.4
Construction	67.5	8.4	59.1
Cement	(2.0)	15.7	(17.7)
Corporate services and adjustments	(56.6)	27.6	(84.2)
(Increase)/decrease in working capital	**22.3**	**264.8**	**(242.5)**

Following the substantial improvement of past-due accounts receivable from government clients in Spain, at year-end 2014 the latter was close to 300 million euro. In this regard, in early 2015 the electronic invoicing system for public clients has been launched, which aims to contribute to reducing the average payment period to suppliers to thirty days and end public arrears.

Other operating cash flow amounted to 114.3 million euro and it mainly includes the application in provisions for risks and expenses in Construction, related to the restructuring of the area.

2.1.6.2 Investing cash flow

The consolidated investing cash flow in the year was reduced by 59.4% compared to the same period in 2013, the difference coming from other investing cash flow. During this financial year, deposits and guarantees were recovered along with the collection of loans from investees and discontinued affiliates amounting to 90.7 million euro. In 2013, the opposite was true for a negative net amount of 242.6 million euro. Excluding this line item, the cash flow from investments totalled 257.9 million euro in the year, compared to 168.9 million euro in 2013.

In this period, a total of 485.8 million euro have been paid in asset investments related to the operating activity of the Group (compared to 479.6 million euro in 2013); representing a 1.2% increase.

On the other hand, the company has performed divestments totalling 227.6 million euro, mostly related to assets held for sale, including most notably the divestment of FCC Environmental (US) in the amount of 69 million euro. Throughout the whole of 2013, divestments were received totalling 310.7 million euro, notable among which was Proactiva, for an amount of 125 million euro.

The breakdown of net investments, according to payments and collections by activity, is as follows:

(million euro)	**Dec. 14**	**Dec. 13**	**Change (M€)**
Environmental Services	(168.7)	(59.9)	(108.8)
Water	(96.7)	(103.7)	7.0
Construction	(77.1)	(3.6)	(73.5)
Cement	8.2	7.7	0.5
Corporate services and adjustments	76.4	(9.4)	85.8
Net investments	**(257.9)**	**(168.9)**	**(89.0)**

Notable are the net investments totalling 168.7 million euro made in the area of Environmental Services, which includes investments in the construction and expansion of treatment and municipal waste reduction plants in the UK.

2.1.6.3 Financing cash flow

The consolidated cash flow from financing in the year reflects a net cash inflow of 85.7 million euro, which essentially relates to the capital increase in the amount of 1,000 million euro in December, in addition to interest payments in the amount of 358.5 million euro and amortizations of financial liabilities in the amount of 554.4 million euro. It should be noted that this amount does not match the reduction in gross financial debt of 414.8 million euro on the balance sheet during the year, mainly due to the effect of exchange differences on the debt.

In 2013, this item included 96.6 million euro from the sale of 49% of the Water business in the Czech Republic (Aqualia Czech) and 150.6 million euro from the sale of 9.6% of the share capital in treasury stock.

2.1.6.4 Exchange differences, change in consolidation scope, etc

This heading, with a positive variation of 22.2 million euro in the period, includes the effect of exchange rate variations on the cash account. In 2013, this item also included a 177.7 million euro outflow in the Construction area due to the deconsolidation of the Alpine Group.

2.1.6.5 Variation in cash and cash equivalents

Combining all the previous cash flow movements, the Group's liquidity position increased by 549.6 million euro in the year, up to 1,537.1 million euro in cash and other equivalents at year end.

2.1.7 BUSINESS PERFORMANCE

2.1.7.1 Environmental Services

Environmental Services contributed 52% of the FCC Group's total EBITDA. A total of 96% of its activities involve municipal solid waste collection, treatment and disposal, along with other municipal services such as street cleaning and green area upkeep. The other 4% corresponds to industrial waste collection and management.

FCC's business in Spain focuses on municipal waste management and street cleaning; in the UK, it is involved notably in municipal waste treatment and disposal; in Central and Eastern Europe, mainly Austria and the Czech Republic, it engages in end-to-end municipal waste management (collection, processing and disposal). FCC's Portuguese presence focuses on industrial waste management.

2.1.7.1.1 Results

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Net Revenues	2,805.0	2,770.6	1.2%
Environmental	*2,680.5*	*2,635.5*	*1.7%*
Industrial Waste	*124.5*	*135.1*	*-7.8%*
EBITDA	418.3	424.6	-1.5%
EBITDA margin	14.9%	15.3%	*-0.4 p.p*
EBIT	(437.8)	(68.5)	N/A
EBIT margin	-15.6%	-2.5%	*-13.1 p.p*

Net revenues in the Environmental Services area totalled 2,805 million euro in the year, 1.2% more than in the same period last year. The positive performance of the Environmental activity offsets the 7.8% decline in revenues in the Industrial Waste business.

Revenue breakdown by region

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Spain	1,576.9	1,571.5	0.3%
UK	846.0	809.2	4.5%
Central and Eastern Europe	347.3	349.6	-0.7%

Portugal and other	34.8	40.3	-13.6%
Total	**2,805.0**	**2,770.6**	**1.2%**

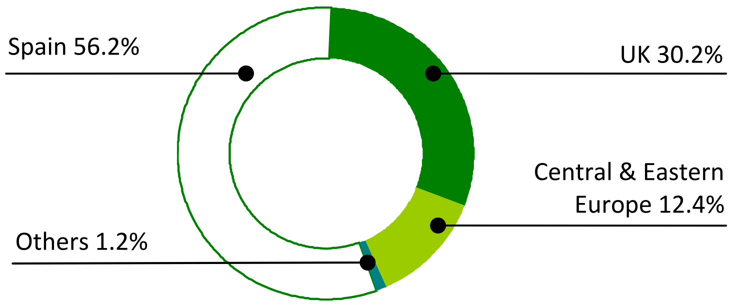
In Spain, revenues remained stable (0.3%) at 1,576.9 million euro, due to the positive evolution of urban waste management, which offsets the 3.6% reduction in the domestic Industrial Waste activity.

In the UK, revenues increased 4.5% due to the positive effect of the exchange rate, and to the notable increase in the urban waste treatment, recycling and incineration activity, which accounts for 50% of the total waste treatment managed. During 2014, a number of recycling and processing facilities have started to operate, as well as the Lincolnshire incineration plant. Yet under construction, two treatment and incineration plants in the counties of Wrexham (extension) and Buckinghamshire, whose operational start-up is expected for the end of 2015 and 2016, respectively.

In Central and Eastern Europe revenues fell slightly by 0.7% as a result of the negative effect of the exchange rate in the Czech Republic (-5.7%) and to the effect of a progressive application of a landfill tax in certain countries; which has been compensated by the significant increase in the urban waste collection activity in Poland.

The 13.6% decline in net revenues in other markets is due basically to the completion of a large sludge removal contract in Italy (-6.2 million euro) and to the slowdown in the industrial waste activity in Portugal.

Revenue breakdown, by region



Gross operating income (EBITDA) decreased by 1.5% to 418.3 million euro; representing a 14.9% operating margin (15.3% in 2013). In Spain, the increase in social security contributions arising from recent regulatory changes in labour matters weighs strong; while in the UK the operating margin has been favoured by the entry into operation of the Lincolnshire incinerator and in Central and Eastern Europe has improved with the efficiency measures implemented throughout the year.

Net operating profit, however, reflects losses of 437.8 million euro after including in EBITDA a 649.7 million euro impairment, recorded in the tangible assets of the sub-group FCC Environment (Environmental Services in the UK) and linked to landfills. This impairment has no effect on cash flow and corresponds to the progressive closure forecast in some landfills which are no longer profitable due to lesser volumes than expected as a result of a continued increase in the landfill tax in the past few years. This decision accelerates the change of the urban waste management business in the UK, giving more weight to the recycling, recovery and treatment activity, so as to improve profitability in all the operations in the long-term.

In 2013, net operating income of -68.5 million euro included an impairment to goodwill for the FCC Environment subgroup amounting to 236.4 million euro, in addition to an impairment to goodwill for the companies engaged in Industrial Waste amounting to 24 million euro.

Backlog breakdown by region

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Spain	7,070.9	7,437.4	-4.9%
International	4,598.8	4,447.4	3.4%
Total	**11,669.7**	**11,885.0**	**-1.8%**

Finally, backlog fell by 1.8% compared to the aggregate at year end 2013, reaching 11,669.7 million euro, which this year includes various extensions of contracts in Spain. This amount covers more than 4 times the 2014 revenues.

2.7.1.1.2 Cash Flow

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Funds from operations	**437.8**	**443.5**	**-1.3%**
(Increase)/decrease in working capital	(8.2)	205.9	-104.0%
Income tax (paid)/received	(38.5)	(53.2)	-27.6%
Other operating cash flow	(35.3)	(20.6)	71.4%
Operating cash flow	**355.8**	**575.6**	**-38.2%**
Investment payments	(254.9)	(197.1)	29.3%
Divestment receipts	86.2	137.2	-37.2%
Other investing cash flow	50.3	140.4	-64.2%
Investing cash flow	**(118.4)**	**80.5**	**N/A**
Interest paid	(160.7)	(130.6)	23.0%
Issuance/(repayment) of financial liabilities	(300.2)	(367.0)	-18.2%
Other financing cash flow	417.5	(137.1)	N/A
Financing cash flow	**(43.4)**	**(634.7)**	**-93.2%**
Exchange differences and others	12.1	(8.0)	N/A
Increase/(decrease) in cash and cash equivalents	**206.1**	**13.5**	**N/A**

(million euro)	**Dec. 14**	**Dec. 13**	**Change (M€)**
Net interest-bearing debt	**1,764.4**	**2,162.5**	**(398.1)**
With recourse	*1,139.0*	*1,475.5*	*(336.5)*
Without recourse	*625.5*	*687.0*	(61.6)

Operating cash flow generated by the Environmental Services area in 2014 totalled 355.8 million euro, down 38.2% compared to the same period of 2013. This was due both to the extraordinary cash-in of collection rights from customers in 2013 linked to the supplier payment plan, and to the lower sales volume of collection rights from clients. All in all, the average collection period in the domestic Environmental activity at year end was 4.5 months, compared to 5 months at the end of 2013.

Investment payments increased to 254.9 million euro, mainly due to the development of new treatment plants in the UK. Furthermore, the cash from divestments include the sale of FCC Environmental (US) in the amount of 69 million euro in the fourth quarter of 2014. The section includes deposits and guarantees recovered from the termination of a treatment plant in UK, within item "other investing cash flow".

The net interest-bearing debt of the area was reduced by 398.1 million euro in 2014, standing at 1,764.4 million euro at year-end, following the transfer of 480 million euro to the parent company, corresponding to the historic debt from the acquisition of subsidiaries overseas. The net non-recourse debt amounts to 625.5 million euro, of which 510 million euro correspond to the UK business, 80.6 million euro to the Central and Eastern Europe business and the remaining 34.9 million euro to other treatment and recycling plants in Spain and Portugal.

2.1.7.2 Water

The Water area accounts for 25.9% of FCC Group EBITDA. Public concessions and end-to-end water management operations (capture, distribution and treatment) account for 92% of total revenues, and water infrastructure design and construction for the other 8%.

FCC serves more than 13 million people in over 850 municipalities in Spain. In Eastern Europe, FCC serves 1.3 million users, mainly in the Czech Republic. It also has a strong presence in Italy and Portugal. In Latin America, the Middle East and North Africa, FCC is involved mainly in water infrastructure design, construction and management. FCC Aqualia provides water supply and/or sewage services to 23.5 million people worldwide.

2.1.7.2.1 Results

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Net Revenues	954.0	945.6	0.9%
Concessions	*876.6*	*867.6*	1.0%
Design and Construction	*77.4*	*78.0*	-0.8%
EBITDA	208.4	193.7	7.6%
EBITDA margin	21.8%	20.5%	*1.4 p.p*
EBIT	123.9	115.9	6.9%
EBIT margin	13.0%	12.3%	*0.7 p.p*

Net revenues for the area grew by 0.9% compared to 2013, reaching 954 million euro. The concessions business has seen a 1% increase in turnover, despite the negative effect of the exchange rate against the Czech koruna (-5.7%); while income from the water treatment design and construction remained virtually unchanged (-0.8%).

Revenue breakdown by region			
(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Spain	772.1	749.8	3.0%
Eastern Europe	90.0	94.3	-4.6%
Rest of Europe	51.2	49.3	3.9%
Latin America	24.1	35.6	-32.3%
Middle East, North Africa and Others	16.7	16.6	0.6%
Total	**954.0**	**945.6**	**0.9%**

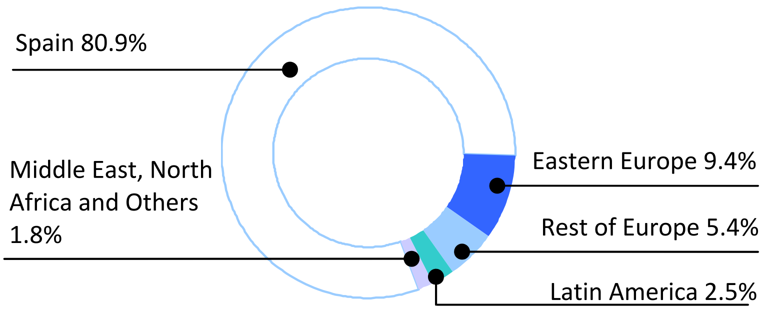
In Spain, revenues increased 3.0% with the addition of Jerez de la Frontera and Cartaya new end-to-end water management contracts, among others, and an increase in the Alcalá de Henares contract and the management of various installations in Madrid.

In Eastern Europe, revenues decreased 4.6% mainly due to the aforementioned negative exchange rate effect in the Czech Republic. In the rest of Europe, activity increased 3.9% after the effect of the adjustment of rates in Italy that took place in third quarter of 2013.

In Latin America, the fall in revenues (-32.3%) was due to the completion of a number of treatment plants in Mexico and a desalination plant in Chile. Looking to the year 2015, we expect an increase in turnover in the region for the execution of various projects such as the construction of a sewerage line in Mexico, an underwater outfall in Uruguay and a treatment plant in Chile.

Finally, income in other markets remains stable (+0.6%) following the initiation of the construction of a desalination plant in Tunisia in the fourth quarter of 2014, which has offset the adverse comparative effect of the adjustment of the operating rates of two desalination plants in Algeria that occurred in the third quarter of 2013.

Revenue breakdown, by region



The gross operating income (EBITDA) increased 7.6% up to 208.4 million euro; representing a 21.8% operating margin (20.5% in 2013). This improvement has mainly arisen as a result of the improved operational efficiency of the concessions business, although it also includes a significant margin improvement in the business of designing and building water infrastructures due to the successful completion of several projects during the year.

Backlog breakdown by region

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Spain	10,575.1	10,653.0	-0.7%
International	4,538.7	4,206.5	7.9%
Total	**15,113.8**	**14,859.5**	**1.7%**

Backlog increased by 1.7% compared to the aggregate at year-end 2013, reaching 15,113.8 million euro, driven by the addition of several international contracts for the design and construction of water infrastructures, along with the upgrade to the associated backlog with the end-to-end supply contract in the Czech Republic. This amount covered more than 15 times the 2014 revenues.

2.1.7.2.2 Cash Flow

7.1.1 C
a s h F l o w

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Funds from operations	**227.6**	**211.4**	**7.7%**
(Increase)/decrease in working capital	21.6	7.2	200.0%
Income tax (paid)/received	(30.6)	(18.1)	69.1%
Other operating cash flow	0.8	(1.7)	-147.1%
Operating cash flow	**219.4**	**198.8**	**10.4%**
Investment payments	(106.4)	(122.2)	-12.9%
Divestment receipts	9.7	18.5	-47.6%
Other investing cash flow	(123.7)	(11.1)	N/A
Investing cash flow	**(220.5)**	**(114.7)**	**92.2%**
Interest paid	(45.3)	(73.4)	-38.3%
Issuance/(repayment) of financial liabilities	82.7	(123.2)	-167.1%
Other financing cash flow	3.7	109.3	-96.6%
Financing cash flow	**41.1**	**(87.3)**	-147.1%
Exchange differences and others	(0.5)	0.6	-183.3%
Increase/(decrease) in cash and cash equivalents	**39.6**	**(2.6)**	N/A

(million euro)	**Dec. 14**	**Dec. 13**	**Change (M€)**
Net interest-bearing debt	**326.8**	**395.9**	**(69.1)**
With recourse	*86.6*	*191.5*	*(104.9)*
Without recourse	*240.2*	*204.4*	35.8

The operating cash flow generated by the Water area during the year increased by 10.4% compared to the same period in 2013, totalling 219.4 million euro, in line with the increase in funds from operations.

Investment payments decreased 12.9% to 106.4 million euro, due to the comparative effect with 2013, which included the payment of a fee in connection with the 25-year end-to-end water management concession in Jerez, Spain. Other investing cash flow includes mainly loans to Group companies, which are adjusted in the consolidated cash flow statement.

Net interest-bearing debt is at 326.8 million euro, down 69.1 million euro. Net non-recourse debt of the parent company amounts to 240.2 million euro, of which 166.3 million euro correspond to business in the Czech Republic and the remaining 73.9 million euro to various end-to-end water management concessions in Spain.

2.1.7.3 Construction

The Construction area accounts for 12.2% of FCC Group EBITDA. It is mainly involved in the design and construction of large civil engineering and industrial works and building in certain geographies. It operates in highly complex public works such as railways, tunnels and bridges, which, with industrial installation and maintenance projects, account for a large part of its activity.

2.1.7.3.1 Results

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Net Revenues	2,076.1	2,597.1	-20.1%
EBITDA	98.2	94.3	4.1%
EBITDA margin	*4.7%*	*3.6%*	*1.1 p.p*
EBIT	27.8	(253.2)	-111.0%
EBIT margin	*1.3%*	*-9.7%*	*11.1 p.p*

Revenues from the area totalled 2,076.1 million euro during 2014; representing a 20.1% decline compared to the previous year, due to the sharp adjustment in public spending on infrastructure in Spain in the last few years, and to the still incipient phase of important international contracts that will start later than initially envisaged.

Revenue breakdown by region			
(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Spain	1,037.9	1,447.2	-28.3%
Latin America	640.4	880.0	-27.2%
Europe	190.7	167.8	13.6%
Middle East and North Africa	184.5	40.8	352.2%
US, Canada and others	22.5	61.2	-63.2%
Total	**2,076.1**	**2,597.1**	**-20.1%**

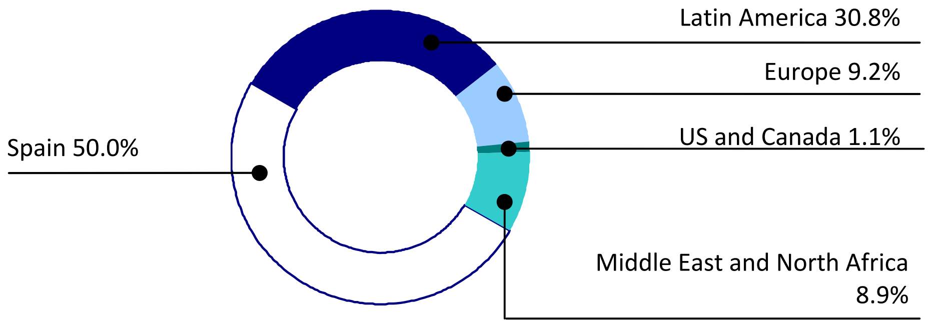
The strong increase in revenues in Middle East and North Africa is mainly due to the commencement of works in the Riyadh metro. The first conditioning phases for the works in the Doha metro began at the end of the third quarter.

Revenues in Latin America decreased 27.2% due to the completion of large projects such as the metro and road reorganisation in Panama City. The works for the Lima metro are expected to start in the second quarter of 2015. In Europe, the 13.6% rise in revenues is mainly due to the start of the

Mersey Gateway project in the UK. The drop in revenues in the US and Canada is due to the completion of the Toronto metro project.

Looking to the year 2015, we expect that turnover in international markets will return to the path of growth once more, due to large-scale projects such as the metros in the cities of Riyadh, Lima and Doha. In any case, it should be noted that the area's growth targets are subject to operational and financial efficiency.

Revenue breakdown by region



Despite the lower net revenues, the gross operating profit (EBITDA) improved by 4.1% year-on-year, reaching 98.2 million euro, which represents an operating margin of 4.7% compared to 3.6% in 2013. This improvement in profitability is due to the measures implemented to adapt the cost structure in Spain to current demand and to the improvement in the average profitability of international contracts.

EBIT fell to 27.8 million euro after incorporating into EBITDA 34 million euro of non-recurrent provisions to cover the risks of the real estate business, with no impact on cash flow during the period.

In 2013, net operating income of -253.2 million euro included impairments and provisions of assets, primarily real estate and concession assets, for an aggregate amount of 129.7 million euro, together with the recognition of a provision of 103.9 million euro for risks associated with certain international contracts and a provision of 75.6 million euro for workforce restructuring costs.

Backlog breakdown by region

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Spain	2,019.7	2,520.6	-19.9%
International	4,193.3	4,087.5	2.6%
Total	**6,213.0**	**6,608.1**	**-6.0%**

The area's backlog fell 6% compared to the end of 2013, reaching 6,213 million euro, due to the continuous decrease in contracting in Spain. However, this balance allows for a guaranteed period of activity of almost three years and is aligned with the aims of giving precedence to future profitability over greater volumes of activity.

Backlog breakdown, by business segment			
(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Civil engineering	5,002.2	5,095.3	-1.8%
Building	886.5	1,237.1	-28.3%
Industrial projects	324.3	275.7	17.6%
Total	**6,213.0**	**6,608.1**	**-6.0%**

By business segment, Civil engineering and Industrial projects are gaining weight in the backlog (85.7% of the total), the remaining 14.3% is for the building segment, mainly non-residential. In total, the backlog guaranteed over 35 months' work.

2.1.7.3.2 Cash Flow

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Funds from operations	**50.2**	**120.1**	**-58.2%**
(Increase)/decrease in working capital	67.5	8.4	N/A
Income tax (paid)/received	50.6	(18.7)	N/A
Other operating cash flow	(71.2)	(73.5)	-3.1%
Operating cash flow	**97.1**	**36.3**	**167.5%**
Investment payments	(104.5)	(115.0)	-9.1%
Divestment receipts	27.4	111.4	-75.4%
Other investing cash flow	(137.6)	(146.0)	-5.8%
Investing cash flow	**(214.6)**	**(149.5)**	**43.5%**
Interest paid	(45.7)	(82.3)	-44.5%
Issuance/(repayment) of financial liabilities	208.8	162.2	28.7%
Other financing cash flow	0.9	(0.9)	-200.0%
Financing cash flow	**164.0**	**79.0**	**107.6%**
Exchange differences and others	7.7	(164.2)	-104.7%
Increase/(decrease) in cash and cash equivalents	**54.2**	**(198.3)**	**-127.3%**

(million euro)	**Dec. 14**	**Dec. 13**	**Change (M€)**
Net interest-bearing debt	**(212.3)**	**(164.1)**	**(48.2)**
With recourse	*(280.3)*	*(205.9)*	*(74.4)*
Without recourse	*68.0*	*41.8*	26.2

The area of Construction has recorded an operating cash flow of 97.1 million euro in the year, up from 36.3 million in 2013, due to the reduction in operating working capital of 67.5 million euro and to the 50.6 million euro from income tax to the parent company. Other operating cash flow includes, in both periods, provisions for structure adjustments that have already been provisioned, mainly in the area of domestic Construction, which continues to be a burden on the operating cash flow in this area.

Investment cash flow includes payments for investments —net of cash collections from disposals, in the amount of 77.1 million euro— including contributions to infrastructure concession management companies in the amount of 49.2 million euro. In 2013, investment cash flow included collections from disposals totalling 111.4 million euro, mainly related to the sale of minority stakes in various concessionaires and real estate companies. Other investing cash flow, amounting to 137.6 million euro mainly includes loan variations granted to Group companies and affiliates.

Overall, the area's net cash position increased by 48.2 million euro with respect to December 2013, resulting in 2014 in net cash flow position of 212.3 million euro. The 68 million euro in net interest-bearing debt without recourse to the parent company corresponds to the concession companies for the Coatzacoalcos Tunnel (Mexico) and Conquense Highway (Spain).

2.1.7.4 Cement

The Cement area accounts for 13% of the FCC Group EBITDA, through its 77.9% stake in Cementos Portland Valderrivas. It focuses mainly on cement production, and that company has seven cement factories in Spain, three in the US and one in Tunisia.

2.1.7.4.1 Results

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Net Revenues	542.9	540.9	0.4%
Cement	*467.2*	*426.2*	*9.6%*
Other	*75.7*	*114.7*	*-34.0%*
EBITDA	104.8	50.4	107.9%
EBITDA margin	*19.3%*	*9.3%*	*10.0 p.p*
EBIT	35.9	(24.2)	N/A
EBIT margin	*6.6%*	*-4.5%*	*11.1 p.p*

Income in this area reached 542.9 million euro in 2014 and grew slightly by 0.4%, although this represents the first increase for six consecutive years. By business activity, the 9.6% increase in the net revenues in Cement was offset by the divestment of the least profitable businesses of concrete, mortar and aggregates in Spain.

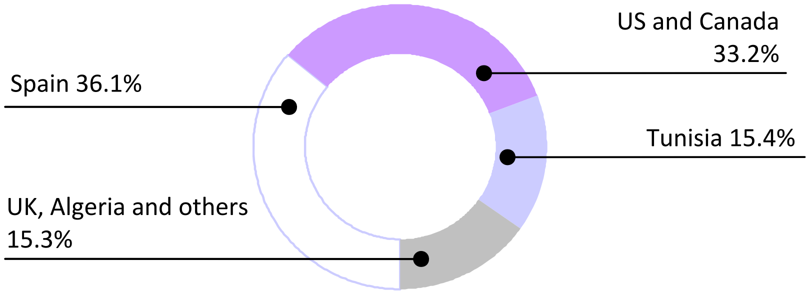
Revenue breakdown by region			
(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Spain	196.0	215.0	-8.8%
US and Canada	180.0	180.3	-0.2%
Tunisia	83.8	79.7	5.1%
UK, Algeria and others	83.1	65.9	26.1%
Total	**542.9**	**540.9**	**0.4%**

In Spain, revenues fell by 8.8% due to the aforementioned closure of less profitable plants in the concrete, mortar and aggregate business (whose revenues fell by 55.4%). On the other hand, cement revenues, which reflect the area's evolution on a homogeneous basis of productive assets, increased by 11.7% compared with an annual 0.4% increase in the Spanish cement consumption.

Revenues in the US and Canada were affected by especially adverse weather conditions in the first few months of the year and the period ended practically level compared to 2013 (-0.2%).

In Tunisia, revenues increased by 5.1% despite the negative exchange rate effect (-4.3%), due to improved prices in sales volumes in the local market. Revenues from exports to the UK, Algeria and other markets rose a notable 26.1%.

Revenue breakdown by region



The gross operating profit practically doubled (+107.9%) with respect to the previous year 2013 figures, totalling 104.8 million euro, mainly due to cost saving measures implemented in Spain in previous quarters. This EBITDA figure includes 20.8 million euro from the sale of emissions rights, compared to 2.6 million euro in 2013. Excluding the sale of emissions rights, the area's EBITDA grew by 75.7%. In international markets, the improvement in EBITDA in Tunisia more than offsets the effects of adverse weather in the US during the first few months of the year.

EBIT totalled 35.9 million euro compared to a negative balance of 24.2 million euro in 2013, which included capital gains on the asset sale and swap with CRH for 105 million euro, for the 46.3 million euro in writedowns of less profitable assets and a 58.6 million euro provision for non-recurrent restructuring costs.

2.1.7.4.2 Cash Flow

(million euro)	**Dec. 14**	**Dec. 13**	**Chg. (%)**
Funds from operations	**99.1**	**42.8**	**131.5%**
(Increase)/decrease in working capital	(2.0)	15.7	-112.7%
Income tax (paid)/received	(5.5)	(3.5)	57.1%
Other operating cash flow	(6.8)	(29.6)	-77.0%
Operating cash flow	**84.8**	**25.4**	**N/A**
Investment payments	(14.6)	(31.3)	-53.4%
Divestment receipts	22.8	39.0	-41.5%
Other investing cash flow	0.7	2.4	-70.8%
Investing cash flow	**8.9**	**10.1**	-11.9%
Interest paid	(71.4)	(71.2)	0.3%
Issuance/(repayment) of financial liabilities	(23.8)	(23.7)	0.4%
Other financing cash flow	(4.1)	13.0	-131.5%
Financing cash flow	**(99.3)**	**(81.9)**	**21.2%**
Exchange differences and others	2.9	0.3	N/A
Increase/(decrease) in cash and cash equivalents	**(2.7)**	**(46.1)**	**-94.1%**

(million euro)	**Dec. 14**	**Dec. 13**	**Change (M€)**
Net interest-bearing debt	**1,304.3**	**1,363.7**	**(59.4)**
With recourse	*20.4*	*108.2*	(87.8)
Without recourse	*1,283.9*	*1,255.5*	28.4

The area of Cement has generated an operating cash flow of 84.8 million euro in the year as a whole, compared to 25.4 million in 2013, thanks to the aforementioned increase in gross operating income, along with lower restructuring payments, conducted mainly in 2013.

Investing cash flow totalled 8.9 million euro due to the divestment of non-operational property, plant and equipment and to the restrictions on new investments. The figure in 2013 included the proceeds of 22.1 million euro from the sale of a terminal in the UK.

Net interest-bearing debt declined by 59.4 million euro with respect to December 2013, to 1,304.3 million euro, largely due to the capitalisation of a 110.8 million euro loan granted by the FCC Group's parent company.

2.2. Business performance. Environment

The information relating to the FCC Group's Environmental Policy is described in greater detail in Note 30 to the consolidated financial statements. Information on the environment.

The FCC Group's strategy has a socially responsible commitment in relation to environmental services, complying with applicable legal requirements, respect for its relationship with interest groups and its desire to generate wealth and social wellbeing.

At the FCC Group, the following principles, which form the basis of its contribution to sustainable development, are encouraged and stimulated throughout the organisation:

- On-going improvement: To promote environmental excellence through the setting of targets to achieve on-going improvements in the performance of activities, while minimising the negative impacts of the FCC Group's processes, products and services and strengthening the positive impacts.

- Control and monitoring: To establish environmental indicator management systems for the operational control of processes, which provide the necessary information for monitoring, assessing, taking decisions on and communicating the FCC Group's environmental efforts, and ensure compliance with the commitments acquired.

- Climate change and prevention of pollution: To lead the battle against climate change by implementing processes involving reduced emissions of greenhouse gases and by promoting energy efficiency and the use of renewable energies. To prevent pollution and protect the natural environment through responsible management and consumption of natural resources and by minimising the impact of the emissions, discharges and waste generated and managed as a result of the FCC Group's activities.

- Observation of the environment and innovation: To identify the risks and opportunities of the activities with respect to the changing natural environment in order to promote innovation and the use of new technologies, and to generate synergies between the FCC Group's various activities, inter alia.

- Life cycle of the products and services: To intensify environmental considerations in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.

- Everyone's participation is needed: To promote awareness and application of the environmental principles among employees and other interest groups.

2.3. Business performance. Employees

Following is a detail, by business area, of the FCC Group's headcount at 31 December 2014:

AREAS	SPAIN	ABROAD	TOTAL	%/Total	%Chg. 2013
Construction	4,396	5,576	9,972	17%	-7%
Environmental Services	30,077	8,399	38,476	65%	-1%
Integral Water Management	6,061	1,451	7,512	12%	5%
Cement	811	937	1,748	3%	-5%
Central and Other Services *	636	296	932	2%	-80%
TOTAL	**41,981**	**16,659**	**58,640**	**100%**	**-7%**

** Includes 608 employees affected by operations classified as held for sale.*

3. LIQUIDITY AND CAPITAL RESOURCES

Liquidity

To optimise its financial position, the FCC Group maintains a proactive liquidity risk management policy by comprehensively monitoring cash and its projections on a fortnightly basis.

The FCC Group meets its liquidity requirements through the cash flows generated by the businesses and through financial agreements reached.

With a view to improving its financial position, the Group actively manages collection from its customers to ensure they meet their payment obligations.

For the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, the Group has the cash disclosed in the consolidated balance sheet (see Note 17 to the consolidated financial statements), and financing (detailed in Note 21 to the consolidated financial statements).

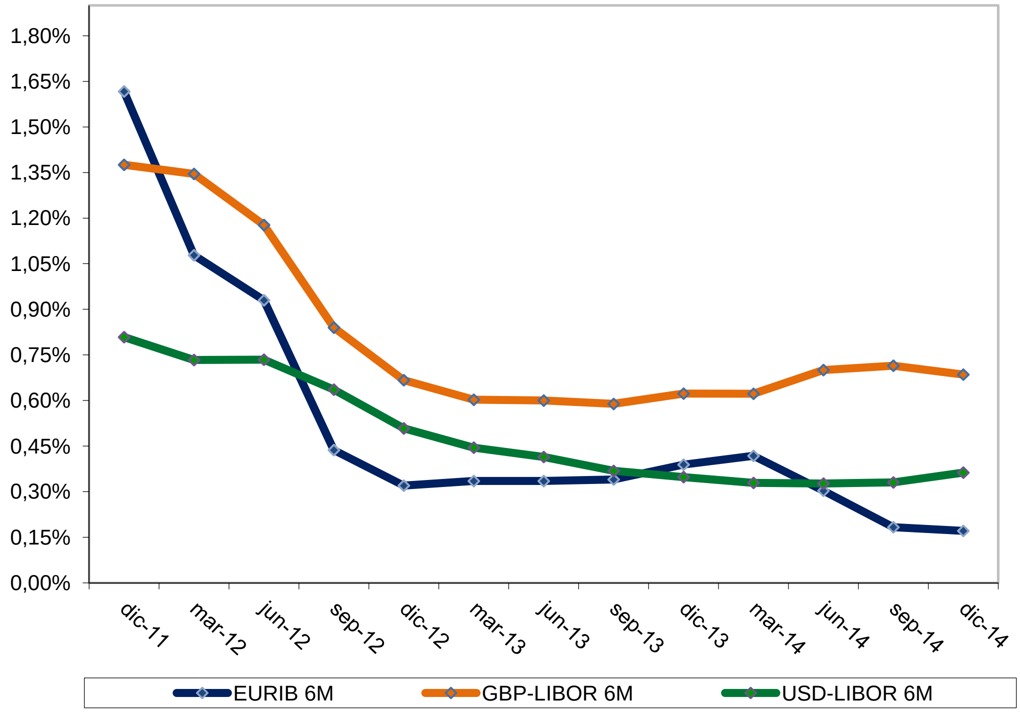
Capital resources

The Group manages its capital to ensure that the companies of which it is composed are capable of continuing as profitable and solvent businesses.

As part of capital management operations, the Group obtains financing through a wide variety of financial products from over 50 domestic and international financial institutions.

In 2014 the Group completed a 4,528 million euro global financing process and reached various limited recourse debt refinancing agreements (see Note 21 to the consolidated financial statements). At the end of 2014, the capital increase of almost 1,000 million euro was also successfully completed.

In order to optimise the cost of capital resources, the FCC Group maintains an active interest rate risk management policy that includes ongoing monitoring of the market and assumes various positions based mainly on the financed asset. As shown by the chart, interest-rate stability over the past year led to very stable interest rate risk in 2014 (see Note 31 to the consolidated financial statements).



This section is discussed in further detail in Note 31 to the consolidated financial statements.

4. MAIN RISKS AND UNCERTAINTIES

The FCC Group is currently implementing an Integrated Risk Management Model, which is being progressively deployed and which will lead to significant improvement in the near future when mitigating the impact of any variances and breaches of its financial and corporate strategy. This new model will enable the Group to anticipate the potential risks to which its activities are subject, since it operates in various geographical spheres, activities and legal environments, which, in turn, imply different risk levels inherent to the businesses in which it performs its operations. In 2015 the implementation of this model is expected to gather momentum.

To date and throughout 2014, the Model, -partially implemented so far- has allowed a high-level risk map to be developed, using Enterprise Risk Management (COSO II) methodology, which furnishes information to Senior Executives and which will contribute to defining the FCC Group's strategy once it has been fully implemented.

The FCC Group's risk management philosophy is being consistent with the business strategy, seeking maximum efficiency and solvency at all times, for which strict risk control and management criteria are being established. It consists of identifying, measuring, analysing and controlling the risks incurred by the Group's operations to ultimately ensure that the risk policy is correctly integrated in the organisation thereof.

In view of the unique nature of each FCC Group business area, risk is managed in each area by preparing a Risks Map in each one and subsequently, based on the reported information, a consolidated Risks Map of the FCC Group will be prepared.

Using this model, the risk in each business area was partially managed in 2014 through:

- The identification of the key risks for the FCC Group, based on their potential threat to the attainment of the organisation's objectives in each business area.
- Risk evaluation. The risk valuation scales are defined in accordance with their potential impact if they materialise and their likelihood of occurrence.
- The identification of the controls and procedures that mitigate both the economic impact and their likelihood of occurrence.
- The identification of an owner for each identified risk, as the person responsible for maintaining an adequate Internal Control level.

The results of Ongoing Risk Management are reported to the Audit and Control Committee, the body ultimately responsible for overseeing the Group's risk management, as included in the Group's Board Regulations.

In 2014, in order to ensure compliance with the best practices existing in this sphere (COSO II ERM), The FCC Group's General Internal Audit and Risk Management Division oversaw the work performed by the various business areas during the implementation stages of the model relating to risk identification and assessment, the appropriate identification of existing control activities and identification of the most effective risk materialisation indicators.

As implementation of the model gathers pace in 2015 for risks exceeding the Accepted Risk for each sector of activity, the necessary action plans will be put into place, including possible corrective measures enabling their critical nature to fall within the Accepted Risk area. These action plans will include the measures required to strengthen existing controls and could potentially include new controls.

Work will also be carried out on updating specific Risk Management procedures in each business area, to ensure compliance with the model and their active involvement in any decision-making process within the organisation.

Consequently, once implemented, the model will enable the FCC Group to:

- Adopt measures to prevent their materialisation (likelihood of occurrence) or minimise their economic impact, by identifying early the key risks, in the case of identifying an internal control area of improvement.
- Compare the objectives to be reached by the Group with the risks that could prevent them from being executed and with the control activities required so that the risk does not materialise, or minimise their economic impact if they do materialise.
- Ensure compliance with prevailing legislation and the Group's internal regulations and procedures.
- Check that the financial preparation processes are adequate to guarantee the reliability and integrity of such financial information.
- Safeguard assets.

By following the best corporate practices in this area and applying COSO II methodology, the various types of risks are categorised in the model into:

- Strategic risks. These are risks related to the Group's strategy and are given priority management. They include the risks relating to the markets /countries/sectors in which the FCC Group operates. They also include reputational risks, innovation risks and economic planning.

- Operating risks. These are risks relating to the operational management and the value chain of each business where the FCC Group operates. They include the risks relating to tender and contracting processes, partner selection, subcontracting and suppliers, human resources management and ongoing employee training.
- Compliance risks. These affect internal or external regulatory compliance. They include those relating to compliance with the FCC Group's Code of Ethics, compliance with legislation applicable to: legal (which includes, since 2010, the criminal code from which criminal liability for legal entities derives), tax, ICFR matters, protection of data, quality, environment, information security and the prevention of occupational risks.
- Financial risks. Risks associated with financial markets, cash generation and management. They include the risks relating to liquidity, working capital management, access to financial markets, exchange rates and interest rates.

In 2014 the reporting risks are included in the operating and strategic risks category. However, in view of their unique nature and that it is essential for the FCC Group to appropriately control this type of risks, in 2015 they will be identified as a separate category in the Risk Maps, in terms of the risks associated with the reliability of the businesses' financial reporting, which is consolidated at the FCC Group's parent, including those relating to the generation of information and their management throughout the organisation.

4.1. Main risks and uncertainties. Operating risks

a) Public Authorities can unilaterally amend or terminate certain contracts before they are fully executed. In these cases, the compensation to be received by the FCC Group might not be sufficient to cover the losses incurred and, also, such compensation might be difficult to collect.

b) The economic crisis has led to a slump in the tax revenues of Public Authorities, causing a decline in investment in industries such as concessions or infrastructures.

c) Certain municipalities could decide to manage the services currently provided by the FCC Group.

d) The FCC Group's design and construction activities expose it to certain risks, including those relating to economic losses and third-party liability.

e) The FCC Group carries on its activities through long-term contracts that can adversely affect its ability to react swiftly and appropriately to new unfavourable financial situations.

f) The FCC Group's ability to make payments is linked to its customers' ability to make payments.

g) The decline in the acquisition of goods and services or project delays in both the public and private sectors can adversely affect the FCC Group's results.

h) The FCC Group relies on technology to develop its lines of business and maintain its competitiveness. If the FCC Group failed to keep up with technological developments or industry trends, its business could be adversely affected.

i) The companies in which the FCC Group has ownership interests together with third parties may expose it to risks.

j) Certain of the FCC Group's investees are controlled by third parties over which the FCC Group does not exercise control.

k) The FCC Group's backlog is subject to project adjustments and cancellations and, therefore, is not a sure indication of future revenue.

l) The FCC Group partakes in tender processes and authorisation regulatory procedures, in which significant expenses can be incurred, without any guarantee of success.

m) The FCC Group carries out its activity in competitive markets.

n) Public opinion may react negatively to certain FCC Group facilities.

o) The FCC Group uses large volumes of energy in its business, laying itself bare to the risk of fluctuations in energy prices.

p) The departure of key technical and management staff could hamper the success of business operations.

q) The FCC Group is increasingly dependent on IT systems.

r) The FCC Group is subject to litigation risk.

s) The industries in which the FCC Group operates are subject to intense scrutiny by competition authorities.

t) If the FCC Group fails to obtain Government approval for its projects or suffers delays in obtaining them, its financial position and results could be adversely affected.

u) The FCC Group's activities are subject to laws and regulations against bribery and corruption that affect where and how the FCC Group conducts its activities.

v) The FCC Group can be affected by accidents that take place at its construction projects.

w) Risks associated with the Environmental Services area.

> (i) The landfill business in the UK has been and continues to be exposed to a very adverse market climate, which could continue to deteriorate in the future, thereby having a negative bearing on the FCC Group.
>
> (ii) The decline in waste collection would give rise to a fall in the rates received.

x) Risks associated with the Integral Water Management Area.

(i) The Water business activities are sensitive to changes in consumption models.

(ii) The Water business is sensitive to climate conditions.

(iii)In the supply of drinking water, the FCC Group must ensure that water is fit for human consumption.

(iv) Polluted water discharge could adversely impact the FCC Group.

y) Risks relating to the Construction Area.

(i) The FCC Group is subject to construction-related risks.

(ii) The construction industry is highly cyclical.

(iii) The FCC Group's construction projects could be delayed or their budget might be exceeded, leading to lower profits than those expected or losses.

(iv) The construction materials market is greatly affected by the cyclical nature of the construction industry.

z) Risks associated with the Cement Area.

(i) The cement business's operations are subject to emission control regulations.

4.2. Main risks and uncertainties. Financial risks

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

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

Capital risk

Capital risk is described in greater detail in Note 3 to the Directors' Report.

Interest rate risk

In order to ensure a position that is in the FCC Group's best interest, an interest rate risk management policy is actively implemented, based on the ongoing monitoring of markets and the assumption of different positions based primarily on the asset financed.

Foreign currency risk

A noteworthy consequence of the FCC Group’s positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency. The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

Solvency risk

The most representative ratio to measure solvency and debt repayment capacity is: Net Debt /EBITDA.

Liquidity risk

Liquidity risk is described in greater detail in Note 3 to the Directors’ Report.

Concentration risk

This is the risk deriving from the concentration of financing transactions based on common characteristics and is distributed as follows:

- Financing sources: In order to diversify this risk, the FCC Group works with a large number of domestic and international financial institutions in order to obtain financing.

- Markets/geographical area (Spanish, foreign): the FCC Group operates in a wide variety of Spanish and international markets, the Group’s debt concentrated mainly in euros and in other various international markets, with different currencies.

- Products: The FCC Group uses various financial products: loans, credit facilities, debt instruments, syndicated transactions, assignments and discounts, etc.

- Currency: the FCC Group finances its operations in a wide variety of currencies, corresponding to the country of the investment.

Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Group, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position, can result in a collection risk with regard to the amounts owed.

The Group requests commercial reports and assesses the financial solvency of its customers before entering into agreements with them and also engages in on-going monitoring of customers, and has a procedure in place to be followed in the event of insolvency. In the case of public customers, the Group follows the policy of not accepting projects without an allocated budget and financial approval. The bids that exceed a certain collection period must be authorised by the Finance Department. Furthermore, late payment is monitored on an ongoing basis by specific bodies such as risk committees.

Financial derivatives designated as hedging instruments

In general, the financial derivatives arranged by the FCC Group are treated for accounting purposes, according to the legislation on hedge accounting described in Note 24 to the consolidated financial statements. The main financial risk being hedged by the FCC Group using derivative instruments is that relating to the change in floating interest rates to which the financing of the FCC Group companies is referenced. Financial derivatives are measured by experts on the subject that are independent from the Group and the entities financing it, using generally accepted methods and techniques.

The financial risks to which the Group is exposed are discussed in further detail in Note 31 to the FCC Group's consolidated financial statements.

5. IMPORTANT CIRCUMSTANCES OCCURRING AFTER THE REPORTING PERIOD

In relation to the New Restructuring Framework Agreement (see Note 21 to the consolidated financial statements), it should be noted that following approval by 86.5% of the lender banks, a court approval proceeding ("homologacion judicial") was implemented in order to apply the conditions to all lender banks. Once the Spanish scheme of arrangement has been approved in court, legal proceedings commence in order to file challenges, which, at the date of authorisation of issue of these consolidated financial statements, have not yet concluded.

6. COMPANY OUTLOOK

Set forth below are the prospects for 2015 for the main business areas composing the FCC Group. The construction and services backlog at 2014 year-end, which amounted to 32,996 million euro guarantees the continuation of a high level of activity over the coming years.

In 2015 the **Environmental Services** Area is expected to maintain the budgets in Spanish local corporations, which will help preserve the level of activity. Tender process are envisaged to increase and, therefore, growth is forecast in energy efficiency contracts.

At the end of 2014, the Environmental Services Area portfolio amounted to 11,670 million euro, which is equal to 4.16 years of production, thereby giving a clear perception of future revenues.

In relation to customer debt, the mandatory so-called electronic invoice was implemented vis à vis the Spanish Public Authorities, permitting tighter control over collection periods.

The promotion of new long-term Public Private Partnership-type contracts is forecast to continue throughout 2015, while the Edinburgh and Midlothian contracts are set to be signed, relating to the construction of an energy-from-waste incineration plant, in addition to the development of a third incineration facility at Eastcroft, with Nottingham city. Despite the progressive slump in landfill activity, these activities allow us to maintain revenues, which will continue focusing on recycling and landfill diversion objectives imposed by EU directives. An optimisation plan involving landfill activity will be foreseeably implemented, aimed at only keeping assets that meet market demand and profitability criteria. The treatment plant performance enhancement programme is expected to remain ongoing, while growth is forecast for activities relating to power generation and recyclable products.

With regard to Central and Eastern Europe, the business will foreseeably consolidate its position and achieve moderate growth, while overcoming the effects of the financial crisis.

It is envisaged that considerable endeavours will be made to lay the foundations for developing the concessions activity and traditional activities in new countries, within the scope of the strategic plan over the short term.

In 2014 the Industrial Waste sector came to a turning point, compared to preceding years, with regard to the volumes of treated waste and is estimated to slightly rise in 2015 due to an upturn in the economy, growth in private consumption and a moderate revival of industrial activity. Also, keeping up the adjustment measures carried out in 2014 will lead to substantial improvement in results in Spain. In Portugal, the panorama is envisaged to continue as a result of land management awards and mild growth in industrial activity, giving rise to a higher volumes of waste requiring treatment. In the US, following the sale of FCC Environmental, a new company was created called FCC Environmental Services, which is focused on oil field waste management and Public Authority waste management.

In the **Integral Water Management** Area**,** expansion in 2015 will be boosted mainly through projects in familiar markets, such as Spain, Portugal, Central and Eastern Europe, the Middle East (Egypt, Saudi Arabia and UAE) and Latin America. New markets are also set to open, such as North America, North Africa and India.

At 31 December 2014, the Integral Water Management Area portfolio amounted to 15,114 million euro, which is over 15 times the income for 2014.

The contribution by private companies to provide universal access to water, established as a Millennium Development Goal by the United Nations, will certainly be important, not only because of their technological and management ability but also their capacity to attract financing to develop new infrastructures and maintain those already in existence. According to the definition of the United Nations, this goal obliges governments to seek solutions to facilitate universal access to water, which must contribute to the economic maintenance of the service, in accordance with the conditions established by each country.

In recent years, the Public Authorities in charge of water management are moving away from water cycle integral management concession models towards public-private participation models under the Build Operate Transfer (BOT) regime for new infrastructure construction work. In countries with sufficient budgetary capacity, new infrastructure is still built under construction contracts and new types of maintenance and operation service contracts are being created in accordance with the specific characteristics of each Public Authority.

In Spain in particular, the Law on the de-indexation of the Spanish Economy is still going through Parliament, which is also processing the Bill amending the General Regulations of the Public Procurement Contracts Law. This will have an impact in the industry in terms of bidder solvency and on the lack of classification required for service agreements. These regulatory measures will foreseeably strengthen private water management in Spain.

In the **Construction** Area, although the Spanish market is showing green shoots, significant growth is not envisaged in the volume of public tenders over the short term. Conversely, the international infrastructure market stemming mainly from emerging countries with successful economies present an opportunity for the FCC Construcción Group.

Once phase one of the Strategic Plan has been completed, which consisted of a significant restructuring and adjustments process, the Construction Area will focus on better management, thus contributing positive results to the income statement and cash generation.

One objective in 2015 will be the search for growth, mainly through the international market, based on adequate risk management that will enable a selective project policy to be pursued, thus guaranteeing clear profitability perspectives.

Taking into account the foregoing, it is estimated that revenues in Spain in 2015 will be lower than in 2014, due mainly to budgetary restrictions in the public sector.

However, revenues from abroad in 2015 are estimated to exceed those earned in 2014, thanks to the development of large infrastructure construction projects commenced in 2014 and to the endeavours being made to open new markets enabling operations to take place in main areas such as the Americas (Central America, Chile, Peru, Brazil, Colombia, US, and Canada), the Middle East (Saudi Arabia) and Europe (UK, Romania, Portugal and Poland).

With respect to the **Cement** Area, it should be noted that the level of income is closely linked to the economic performance of the various countries in which the Company is established, which are mainly Spain, accounting for approximately 36% of total revenues, the US, with 33% and Tunisia, with 15%. CPV exports to other countries such as Canada, UK and North Africa from these three countries.

In Spain where most of the Cementos Portland Valderrivas Group's production facilities are located, the estimates for 2015 by Oficimen (the Cement Production Grouping in Spain) indicate an optimistic scenario of a 6.1%.increase in cement consumption. It is the first year since 2007 that growth forecasts have been positive. The industry's performance in recent years has been an ongoing decline in activity (2011, down 16.4%, 2012, down 34 %; 2013, down 21%; 2014, up 0.4%) up until 2014, in which activities have stabilised compared to the preceding year. Starting a growth trend is a very important factor for the entire industry and for Cementos Portland, the company with the largest market share.

CPV's projections concerning the downturn in the market are similar to those of Oficemen. Of the total number of tonnes produced by CPV in Spain, approximately 33% are earmarked mainly for exports. This proportion is expected to remain the same in 2015, although cement exports are expected to fall and clinker exports are set to rise. Also, prices are forecast to increase by 7% in the domestic market.

In the US, the estimates from PCA (Portland Cement Association) indicate annual market growth of approximately 8.4% / 10.7% for the 2015-2016 period, which will be headed by the residential sector, while civil works will see more moderate increases due to the budgetary restrictions of the union's government and states. In view of this market performance, as well as the various improvements in management undertaken by the Group, the outlook is bright for the inflows of funds over the coming years in this market. Conversely, although the weight of the sales in tonnes for export to the US stood at approximately 6% in 2014, they will foreseeably increase in coming years, leading to growth in revenues from the US.

The Tunisian market is expected to increase slightly by an estimated 4% in 2015. This market growth will be affected by the presence of new installed production capacity in the market in 2014. However, exports to other countries in North Africa are set to increase, thus leading to a rise in CPV's income in this country compared to 2014.

In this context, the Cementos Portland Valderrivas Group will continue developing its policies to contain costs and restrict investments and adapt all organisational structures to the reality of the various markets in which it operates, in order to obtain a better inflow of funds.

7. R&D+I ACTIVITIES

In 2014 the FCC Group's R&D+i activities materialised into more than 70 projects.

Among the Corporate R&D+i projects, the following must be highlighted in 2014:

- **IISIS- Integrated Research on Sustainable Islands.** It is led by FCC, S.A. through the Environmental Services and Energy Areas, with the participation of other Group areas such as Aqualia, FCC Construcción and the Cementos Portland Valderrivas Group, together with various outside companies. Its objective is to achieve sustainability and self-sufficiency with regard to urban developments for the future, including:

  - Elements, materials, technologies and systems required to develop the building in a marine environment, without constituting a threat to the environment.
  - Self-sufficiency in all respects (energy, water, basic food, waste treatment and recycling).
  - A smart management and control system. All the processes and sub-processes involved in all stages of the lifecycle of the island have been identified, which will be used to create the smart control and management orders, based on achieving maximum efficiency and sustainability.

In 2014 the business areas performed the following R&D+i activities.

SERVICES

In environmental services activities, aside from continuing with the research work in various projects that commenced in previous years, other new projects have been developed, the main ones being as follows:

- **ULTRACAPS TRUCK: New technology in hybrid electric motorisation for waste collection trucks**. Transformation of a collector-compactor side loader unit based on CNG into another truck using an electrical traction system and basic energy storage using ultra capacitor technology.

- **ECOEFFICIENT MANAGEMENT INDICATORS:** In-house development of a method and functional pilot to calculate the significant indicators of the ecoefficient management of the services rendered. It consists of establishing and implementing a system of benchmark indicators that enable the environmental efficiency of the FCC Group's environmental division's production processes to be assessed, in terms of optimisation of resources, reduction in GHGs and adaptation to climate change.

- **ADVANCED SOLUTION FOR THE GLOBAL MANAGEMENT OF ALL THE PROCESSES AND PLAYERS IN ENVIRONMENTAL CONTRACTS**: project that includes various objectives such as process improvement, swiftness of response vis à vis new business requirements, global access to more favourable functionalities, and management of geo-referenced information inter alia.

- **PLUG-IN ELECTRIC COLLECTION VEHICLE**: The results of the tests carried out during actual service were analysed and validated.

- **ENERCITY:** With the purpose of developing a printed PV panel using organic material in urban street furniture, to provide energy to its power system.

- **ECOE:** Development and pilot test of a system and new management technology for building installation systems, capable of functioning using the surplus energy in the environment.

- **CEMESMER.** To meet the demand for the management of mercury-related waste in the face of the upcoming obsolescence of certain industrial processes. In 2014 tasks were focused on developing a new range of high-performance cement products for the immobilisation of mercury, thus achieving a technological breakthrough in treatment processes for mercury-contaminated waste. The possibility of its reuse as a construction material will also be studied.

- **LEACHATES.** Modelling of the hydraulic performance of a landfill to study the production of leachates and the implementation of control and mitigation measures.

- **DECONTAMINATION OF AQUIFERS:** Development of a new work method to diagnose the status of a contaminated aquifer and its application to design corrective actions.

- **SOIL DECONTAMINATION:** Inclusion of new sampling techniques, preparation and modelling in the decontamination of environmental liabilities.

- **RECO2VAL:** Integrated demonstration of CO2 reduction processes through the carbonatation of waste and mineral raw materials and recovery of carbonation products.

INTEGRAL WATER MANAGEMENT

In 2014 FCC Aqualia's innovation activity was carried on in the areas of Sustainability, Quality and Intelligent Management, including strategic planning. The main projects are as follows:

- **CENIT VIDA.** The project's work led to a change in the treatment model and facilitated the development of five other bioenergy projects relating to the All-gas project.

- **ITACA.** Included in the Sustainability Area, it has extensively sought novel approaches for the use of wastewater as a resource, to lower energy consumption and emissions or in the search for alternative technologies.

- **IISIS.** One of the major initiatives in the Company's Intelligent Management area. The project, led by FCC S.A. enjoyed the significant involvement of FCC Aqualia, which headed the "Water and Environment" and "Integration" tasks. The project's main results led to energy savings, savings in sludge production, enhanced operations, detection of leakages and various software developments.

- **SMARTIC.** Work was performed on water quality control from its collection until its exit from the drinking water plant, with the design and construction of various automation systems capable of performing tests that must currently be conducted at laboratories. Savings have been observed in the drinking water plant's operating costs, as well as an increase in quality, since the operation can be adjusted to the gross water's characteristics.

- **ALEGRIA**. The recovery of industrial effluent, the process of anaerobic digestion with membrane bioreactors and the cultivation of microalgae for its recovery were studied. The project sought to obtain bioenergy and value products.

- **RENOVAGAS.** Its aim is to develop a Synthetic Natural Gas production plant based on biogas, through the methanisation of hydrogen obtained from renewable sources.

- **REGENERA.** In order to develop a wastewater treatment system through the cultivation of microalgae and using the biomass generated as a raw material for biofertilizer production. The research team is composed of Aqualia Infraestructuras, Biorizon, Universidad de Almería and Fundación Cajamar.

- **LIFE MEMORY.** This proposes to demonstrate, on an industrial prototype scale, the technical and economic feasibility of innovative technology, a submerged anaerobic membrane bioreactor (SAnMBR), as an alternative to traditional treatment processes. This technology allows the organic matter in wastewater to be converted into biogas, which can be used at the treatment plant to produce energy in the form of heat and electricity. The benefits to be obtained from the project are: a decrease of up to 70% in energy consumption and 80% in CO_2 emissions, a 25% decrease in space requirement compared to conventional aerobic treatment plants, a decrease of approximately 50% in sludge production and the implementation of a protocol to design and operate treatment plants based on this technology.

- **LIFE BIOSOLWARE.** The study proposes to demonstrate a new treatment for wastewater based on biological technology and a purification site. The process allowed 80% of the water to be reused and organic waste and gas to be recovered.

- **CIP CLEANWATER.** To demonstrate new technology for disinfecting water in three applications: drinking water, desalination and reuse.

- **FP7 URBAN WATER.** An innovative platform will be developed and innovated based on IT and communication technologies, which will improve integral water management in urban areas, representing 17% of water consumption in Europe. The project is focused on developing new solutions to predict water demand and interpreting consumption in order to manage water more efficiently, with innovative modules to estimate water availability and supply, improvement of billing systems and data management in real time, leakage detection and decision making, inter alia.

- **WATER JPI MOTREM.** The Motrem project aims to contribute new technologies for water treatment and/or enhance those already in existence, by developing integrated processes for the control and treatment of pollutants emerging in the current line of the municipal wastewater treatment plants, placing particular importance on water reuse. For this purpose, the project combines transverse and multidisciplinary experience in the design of water treatment processes, and in engineering, analytical chemistry and ecotoxology applied to the emerging pollutants, which guarantees the generation, not only of new scientific knowledge, but also of innovative commercial solutions for the market.

CONSTRUCTION

FCC Construcción fosters an active policy for technological development, while permanently applying innovation to its construction projects, with a firm commitment to research and development, sustainability and the contribution to the Company's quality of life, as competitiveness factors. This innovation policy is coordinated with the other business areas of the FCC Group.

The development and use of innovative technologies to carry out construction projects significantly contribute value added and is a differentiating factor in the current market, which is highly competitive and internationalised.

The main projects developed were as follows:

- **SMARTBLIND.** The objective of this project is to develop an energy-efficient smart window that includes a hybrid film made up of an electrochromic LC film and a PV film both printed on the same long-lasting flexible substrate.

- **IMPACTO CERO.** Project from the European LIFE programme to develop and demonstrate anti-bird strike tubular screens for high-speed rail lines.

- **DOVICAIM.** Aimed at developing an integrated method and the tools required to support the complete life cycle of the construction of vertical docks using prefabricated blocks in a floating dock, including the design, optimisation, construction, installation and operation. The project is focused directly on a clear strategic priority that is the international development of FCC Construcción.

- **SORT-i.** Development of tools based on optical systems and new technologies for the identification, monitoring and management of structural risks of buildings and infrastructure in an intelligent, automatic and telemetric manner, as a means to maximise safety and minimise the risks of physical damage in high potential situations of structural collapse.

- **REWASTEE.** Aimed at the industrial validation, market deployment and replication of a developed technology for recycling steelmaking wastes to be used for manufacturing multifunctional building products.

- **RS. Rehabilitación Sostenible de Edificios.** Performed in cooperation with Córdoba municipal council through Vimcorsa (Viviendas Municipales de Córdoba S.A.) and the Municipal Housing Institute of Málaga municipal council.

- **SEIRCO.** Smart expert system to assess risks in various construction sector environments.

- **SPIA.** New high-visibility sign systems. Self-contained luminous system for individual use.

- **PRECOIL.** New smart collective prevention systems in dynamic linear infrastructure environments.

- **SETH.** Comprehensive structural monitoring system for buildings based on holistic technologies.

- **BOVETRANS.** Development of a system of light transition vaults in road tunnels that will take advantage of sunlight, a project in cooperation with the Murcia Demarcation of State Roads, monitored in particular by the Directorate General of Roads.

- **APANTALLA.** New nanostructured materials with improved electromagnetic radiation shielding properties.

- **CEMESMER.** New range of cements for stabilising mercury and to achieve a technological breakthrough in treatment processes for mercury-contaminated waste, for its potential recovery for reuse as a construction material.

- **NANOMICRO.** Based on nanomicrocements and their application in concrete towers for wind farms.

- **MERLIN.** Based on the development of better local refurbishment of infrastructure. The three latter projects are carried out in cooperation with the Cementos Portland Valderrivas Group.

- **NEWCRETE.** Concrete for structural use containing a high percentage of recycled aggregates.

- **SEA MIRENP.** Based on marketable ecoefficient by-products yielded by integrating recycled materials at harbours and ports, the objective of which is to conduct research on the application of construction and demolition waste at port and harbour construction projects.

- **AUSCULTACIÓN CONTINUA.** Based on the design, development and validation of a distributed continuous auscultation system for building structures in urban environments.

- **CETIEB.** The project's main objective is the development of innovative solutions for better environmental quality monitoring indoors.

- **BUILD SMART.** It aims to change buildings to achieve increased energy efficiency, based on the new legislation for 2020.

CEMENTOS PORTLAND VALDERRIVAS

Noteworthy is the successful completion of four projects: **CEMESFERAS, HORMIGONES POROSOS, ESCOMBRERAS AND MICROCEMENTOS.** As a result of this research, following is a summary of the main results obtained from them:

- New cement materials were designed leaving a lower carbon footprint, promoting sustainable production through natural resources savings and lower greenhouse gas emissions in processes.
- New high-performance porous concrete has been developed to service new applications under the framework of energy efficiency and future road drainage for heavy traffic.
- Research was carried out on ecoefficient cements through fly ash recovery from fossil fuel waste tips.
- A new range of microcements was developed, placing us in the international sphere with regard to this type of special products, earmarked for the restoration of microfissures in dams and soil stabilisation.

The promotion and development of the five other remaining projects also continued; **NANOMICRO, CEMESMER, BALLAST, MERLIN and MAVIT**, in compliance with the planning of the research work included in the milestones for 2014. Mention should be made of the design and construction of a pilot plant in the **MAVIT** project, carried out at year-end, which will provide us with a test bench for trials on a range of high value-added projects.

Throughout this process, intellectual property remains a key component in safeguarding the developed technologies. Noteworthy is the approval by the Spanish Patents and Trademarks Office (OEPM) of two new patents this year, thereby increasing Cementos Portland Valderrivas's portfolio.

8. ACQUISITION AND DISPOSAL OF TREASURY SHARES

The FCC Group does not perform any transactions involving treasury shares other than those included in the framework agreement of the Spanish National Securities Market Commission (CNMV) on Liquidity Contracts, which aims to provide the share price with liquidity and depth, in accordance with prevailing legislation.

In December 2014 a 1,000 million euro capital increase was carried out, which entailed the issuance of 133,269,083 new shares, thus increasing the Company's share capital to 260,572,379 shares of one euro par value each. For legal reasons, when the aforementioned transaction was performed, the liquidity contract was suspended on 18 November 2014 and resumed on 22 January 2015.

It is estimated that there will be no impact on the return obtained by shareholders from the Liquidity Contract of the treasury shares, given that their nature and objective contravene the existence thereof, or on the earnings per share of the FCC Group.

At 31 December 2014, the FCC Group held directly and indirectly a total of 232,747 Company shares, representing a mere 0.089% of the share capital.

9. OTHER RELEVANT INFORMATION, STOCK MARKET PERFORMANCE AND OTHER INFORMATION

9.1 Stock Market Performance

	Jan. – Dec. 2014	Jan. –Dec. 2013
Closing price (€)(1)	11.75	11.84
Revaluation	*(0.8%)*	*64.06%*
Maximum (€)(1)	15,49	12.50
Minimum (€)(1)	9.54	4.90
Average daily trading volume (no. of shares)	1,331,501	798,280
Average effective volume per day (millions of €)	20.4	9.3
Closing capitalisation (millions of €)	3,062	2,059
No. of shares outstanding at close	260,572,379	127,303,296

Following is a detail of FCC's share performance in 2014 compared to 2013.

(1) The figures relating to FCC's shares in 2013 and 2014 are figures adjusted by the capital increase performed in 2014, amounting to 133.26 million shares.

9.2. Dividends

In accordance with the principle of prudent management and in the best interest of all the Company's shareholders, since December 2012, FCC's Board of Directors has decided not to pay any dividends. This agreement remained unchanged in 2014.

This decision, included in the restructuring in progress over the past two years, the purpose of which is to enhance operating efficiency and strengthen the balance sheet, must be ratified by the shareholders at the General Meeting, which will be held in the first half of 2015.

10. ANNUAL CORPORATE GOVERNANCE REPORT