



Citizen Services

1H2016

EARNINGS REPORT



**Environmental
Services**



Water



Infrastructures



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*Carso and FCC land first joint contract:
Samalayuca – Sásabe gas pipeline*

1. HIGHLIGHTS

Expansion of FCC Board and appointment of CEO

The Shareholders' Meeting on 28 June approved a motion to expand the Board of Directors of FCC from 11 to 15 members. Four new directors were appointed: Carlos M. Jarque, CEO of FCC, and Miguel Ángel Martínez Parra, General Manager of Organisation and Finance, as executive directors; and Antonio Gómez García and Alfonso Salem Slim, as nominee directors. These appointments took place after Inversora Carso acquired control as majority shareholder, in accordance with the agreement signed by FCC's two largest shareholders in February.

Conclusion of mandatory takeover bid for FCC by Inversora Carso

The mandatory takeover bid by Inversora Carso for FCC, which was launched in March, concluded on 15 July 2016. This bid was the result of acquiring over 30% of the voting rights, by virtue of the provisions of the Royal Decree on Takeover Bids (RD 1066/2007). Upon conclusion of the bid, 25.6% owned by minority shareholders had accepted the bid, with the result that the ownership structure at the date of this report, as disclosed to the CNMV, is 61.1% owned by Inversora Carso, as FCC's largest shareholder, and 20% owned by Esther Koplowitz, the second-largest shareholder.

Successful Dutch auction to redeem debt using funds from the March capital increase

A large proportion of the outstanding Tranche B of FCC, S.A.'s syndicated loan was successfully repaid in April by means of a Dutch auction. Most of the banks holding Tranche B debt participated voluntarily in the process, being repaid at an average haircut of 15%. This reduced the amount of Tranche B debt to €131 million at the end of the first half, making the most profitable and efficient use of the funds raised in the capital increase performed in March. This transaction resulted in further progress in the process of consolidating and optimising the capital structure, providing a sound funding platform with stronger capacity and operational flexibility.

Progress with CPV delisting bid

On 25 May, the Board of Directors of FCC resolved to make a takeover bid for 100% of the shares representing the capital stock of Cementos Portland Valderrivas, S.A. (CPV), in which it owns 77.9%, in order to delist that company from the Madrid and Bilbao Stock Exchanges, where it is currently listed. On 29 June, the Shareholders' Meeting of CPV authorised that transaction in all its terms, which had been released by FCC in the form of a regulatory disclosure. The related prospectus is currently pending registration with the CNMV and the transaction is expected to be executed in the coming months.

FCC Aqualia obtains two new international contracts, worth €211 million

FCC Aqualia has landed two contracts to build water treatment plants, worth €211 million in aggregate. In Colombia, it will build and operate a wastewater treatment plant in Bogotá worth €96.4 million, which will serve 3 million people. And in Egypt (El-Alamein), it will develop a desalination plant worth €114.6 million. These two contracts raised this area's backlog to another record, since it exceeded €15,000 million on 30 June.

FCC and Carso obtain first joint contract, in Mexico

This first contract is for the construction of a gas pipeline, with a budget of €225 million. It will be executed by a joint venture between Carso and FCC Industrial, the company which heads this area of FCC's Construction division. The 630 km. gas pipeline will supply power plants in northern and north-eastern Mexico by linking them to the existing gas grid.

Another divestment: sale of 10% of Malaga Metro for €27.7 million

In April, 10% of the Malaga Metro concession company was sold for €27.7 million. This transaction follows the receipt of the first payment of €83.8 million in the first quarter for the sale of 50% of GVI; another payment of up to €127 million is due by February 2017. In this way, the Group continues to monetise selective minority stakes and other assets that do not contribute to its operating cash flow.

2. EXECUTIVE SUMMARY

- ◇ Consolidated Group EBITDA increased by 7% in June 2016 and by 1.3% in the first half of 2016. Group EBITDA amounted to €76.0 million in the month and €374.6 million year-to-date, i.e. an EBITDA margin of 14.6% and 13.0%, respectively, contrasting with 12.6% and 11.7%, respectively, in 2015.
- ◇ Revenues declined by 8.7% year-on-year in the first half of 2016, to €2,887.7 million. This is broadly due to a reduction of over 20% in Construction revenues both in June and in the first half of 2016.
- ◇ Environmental activities (services and waste and water management) contributed 84.3% of EBITDA, which lends a high degree of stability and visibility, while the backlog amounted to €31,497 million at 30 June.
- ◇ Notwithstanding losses in Cement and Construction areas, consolidated Group attributable net profit amounted to €54.8 million, compared with a loss of -€11.9 million the previous year.
- ◇ Net financial debt has been reduced by 19.5% so far this year, to €4,403.8 million. The reduction, by €1,069.8 million, is due to the capital increase performed in March and also to containment of costs and capex, the sale of certain investees, the cash in from the prepayment due to the start up of a waste management plant, and measures to protect and enhance cash flow.

NOTE: The stake in GVI was derecognised from the "assets held for sale" item following completion of the sale in the first quarter of 2016. At the end of the first half of 2016, this item contained only the assets and liabilities of Cemusa Portugal (see Note 5.2). The P&L of this investment and that from the sale of GVI are recognised under "income from discontinued operations" (Note 4.5.2).

KEY FIGURES			
(M€)	Jun. 16	Jun. 15	Chg. (%)
Net sales	2,887.7	3,161.7	-8.7%
EBITDA	374.6	369.7	1.3%
EBITDA margin	13.0%	11.7%	1.3 p.p
EBIT	121.4	155.9	-22.1%
EBIT margin	4.2%	4.9%	-0.7 p.p
Income attributable to equity holders of the parent company	54.8	(11.9)	n/a
Operating cash flow	324.8	(131.1)	n/a
Investing cash flow	17.0	(171.0)	-109.9%

(M€)	Jun. 16	Dec. 15	Chg. (%)
Net equity	1,210.1	487.2	148.4%
Net interest-bearing debt	4,403.8	5,473.6	-19.5%
Backlog	31,497.3	32,499.7	-3.1%

3. SUMMARY BY BUSINESS AREA

Area	Jun. 16	Jun. 15	Chg. (%)	% of 2016 total	% of 2015 total
(M€)					
REVENUES BY BUSINESS AREA					
Environmental Services	1,367.0	1,420.6	-3.8%	47.3%	44.9%
Water	480.8	502.2	-4.3%	16.6%	15.9%
Construction	740.6	960.4	-22.9%	25.6%	30.4%
Cement	284.1	289.2	-1.8%	9.8%	9.1%
Corp. services and adjust.	15.2	(10.7)	n/a	0.5%	-0.3%
Total	2,887.7	3,161.7	-8.7%	100.0%	100.0%
REVENUES BY GEOGRAPHIC AREA					
Spain	1,477.8	1,661.5	-11.1%	51.2%	52.6%
United Kingdom	456.0	509.5	-10.5%	15.8%	16.1%
Middle East and N. Africa	362.1	271.8	33.2%	12.5%	8.6%
Central Europe	245.0	252.7	-3.0%	8.5%	8.0%
Latin America	142.3	271.1	-47.5%	4.9%	8.6%
US and Canada	134.1	114.9	16.7%	4.6%	3.6%
Others	70.4	80.2	-12.2%	2.4%	2.5%
Total	2,887.7	3,161.7	-8.7%	100.0%	100.0%
EBITDA*					
Environmental Services	210.0	210.2	-0.1%	56.1%	56.9%
Water	105.5	104.1	1.3%	28.2%	28.2%
Construction	6.9	29.0	-76.2%	1.8%	7.8%
Cement	46.0	37.4	23.0%	12.3%	10.1%
Corp. services and adjust.	6.2	(11.0)	-156.4%	1.7%	-3.0%
Total	374.6	369.7	1.3%	100.0%	100.0%
EBIT					
Environmental Services	112.8	106.4	6.0%	92.9%	68.2%
Water	61.5	62.1	-1.0%	50.7%	39.8%
Construction	(64.7)	(5.3)	n/a	-53.3%	-3.4%
Cement	13.8	5.2	165.4%	11.4%	3.3%
Corp. services and adjust.	(2.0)	(12.5)	-84.0%	-1.6%	-8.0%
Total	121.4	155.9	-22.1%	100.0%	100.0%
Area	Jun. 16	Dec. 15	Chg. (%)	% of 2016 total	% of 2015 total
NET DEBT					
With recourse	2,477.1	3,254.3	-23.9%	56.2%	59.5%
Without recourse					
Environmental Services	384.1	659.6	-41.8%	8.7%	12.1%
Water	236.7	249.8	-5.2%	5.4%	4.6%
Construction	0.0	0.0	n/a	0.0%	0.0%
Cement	1,243.7	1,248.9	-0.4%	28.2%	22.8%
Corporate	62.2	61.0	2.0%	1.4%	1.1%
Total	4,403.8	5,473.6	-19.5%	100.0%	100.0%
BACKLOG*					
Environmental Services	11,205.2	11,825.7	-5.2%	35.6%	36.4%
Water	15,077.4	14,443.7	4.4%	47.9%	44.4%
Construction	5,214.7	6,230.3	-16.3%	16.6%	19.2%
Total	31,497.3	32,499.7	-3.1%	100.0%	100.0%

* See definition on page 31, in accordance with ESMA rules (2015/1415en).

4. INCOME STATEMENT

(M€)	Jun. 16	Jun. 15	Chg. (%)
Net sales	2,887.7	3,161.7	-8.7%
EBITDA	374.6	369.7	1.3%
<i>EBITDA margin</i>	<i>13.0%</i>	<i>11.7%</i>	<i>1.3 p.p</i>
Depreciation and amortisation	(203.7)	(196.7)	3.6%
Other operating income	(49.5)	(17.1)	189.5%
EBIT	121.4	155.9	-22.1%
<i>EBIT margin</i>	<i>4.2%</i>	<i>4.9%</i>	<i>-0.7 p.p</i>
Financial income	(120.4)	(174.1)	-30.8%
Other financial results	3.4	13.0	-73.8%
Equity-accounted affiliates	72.8	24.4	198.4%
Earnings before taxes (EBT) from continuing operations	77.2	19.1	n/a
Corporate income tax expense	(17.7)	33.5	-152.8%
Income from continuing operations	59.5	52.7	12.9%
Income from discontinued operations	(7.3)	(71.1)	-89.7%
Net income	52.3	(18.4)	n/a
Non-controlling interests	2.5	6.5	-61.5%
Income attributable to equity holders of the parent company	54.8	(11.9)	n/a

4.1 Net sales

Consolidated Group revenues declined by 8.7% in the first half to €2,887.7 million. This was due mainly to persistently low Construction activity in Spain caused by the temporary reduction in demand for investment in infrastructure as government is focused on reducing the current budget imbalances. In other areas such as Environmental Services, operating revenues amounted to €1,367 million in the first half, i.e. practically constant despite the depreciation by sterling. This negative effect was offset by higher revenues from the Buckinghamshire incinerator, which became operational in June. Aqualia's revenues declined by 4.3% in the first half of 2016, to €480.8 million; the Technology and Networks business, which accounted for 11.5% of revenues in this sector, experienced a decline in activity, mainly due to delays with public tenders in Spain. Lastly, Cement revenues declined by 1.8% in June, with no effect in the EBITDA's area.

In Spain, revenues fell by 11.1% to €1,477.8 million due almost entirely to the aforementioned contraction of the domestic Construction business (39.4%). Cement revenues declined by 7.9% because of falling sale prices and a slight reduction in volumes.

The Group's two main areas, Water and Environmental Services, experienced differing impacts. Revenues were stable in Environmental Services, at €750.8 million, with no change in consolidation scope and a situation of generally stable prices, in line with the broad economy. Water revenues declined by 5% to €360.2 million, due entirely to the persistent contraction of the Technology and Networks area (design, engineering and outfitting of water infrastructure) because of cutbacks in government spending to address the budget deficit. This performance will be attenuated by growth in the international area due to landing new contracts (Colombia and Egypt).

Revenue breakdown, by region			
(M€)	Jun. 16	Jun. 15	Chg. (%)
Spain	1,477.8	1,661.5	-11.1%
United Kingdom	456.0	509.5	-10.5%
Middle East & North Africa	362.1	271.8	33.2%
Central Europe	245.0	252.7	-3.0%
Latin America	142.3	271.1	-47.5%
US and Canada	134.1	114.9	16.7%
Others	70.4	80.2	-12.2%
Total	2,887.7	3,161.7	-8.7%

Outside Spain, revenues expanded by a solid 33.2% in the Middle East and North Africa due to progress with major projects, particularly the Riyadh Metro. Water network and treatment contracts in Saudi Arabia (Riyadh and Mecca) also made a larger contribution.

In the UK, the Group's second largest market, revenues declined by 10.5% due to a combination of factors that were concentrated in the Environmental Services area. One was the depreciation by sterling (6%) as a result of the Brexit vote, and another was the much lower level of work on treatment plants following the commissioning of the Buckinghamshire plant in June and the progressive effect of closing landfills in the Environmental Services division, which reduces revenues as a result of lower collection of landfill fees for the Administration.

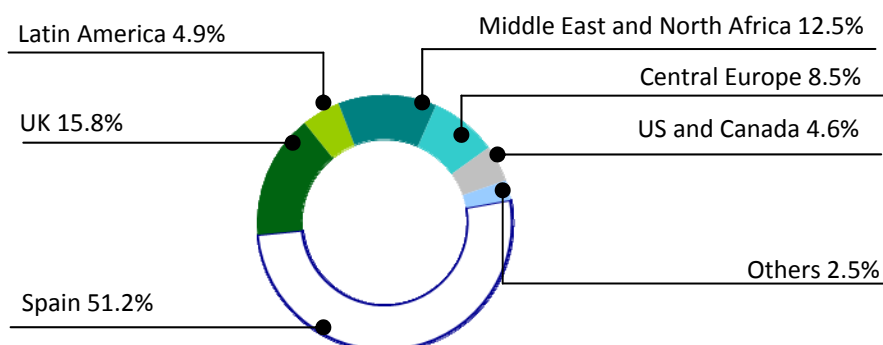
Revenues in Latin America fell by 47.5% due to the time lag between the completion of major construction works, such as Panama Metro Line 1 and projects in Colombia and Costa Rica, and the start of other projects such as Lima Metro, Panama Metro line 2, the Toyo tunnel in Colombia, and a water treatment plant awarded recently in Colombia. This situation was partly offset by growth in the construction of roads and water treatment plants in Chile.

Revenues in Central Europe declined by 3% as a result of the completion of several projects in the Construction area, notably in Poland, and the smaller contribution from other minor projects in Romania, contrasting with a moderate increase in activity in Environmental Services and Water in nearly all countries in the region.

Revenues in the United States and Canada increased by 16.7% as a result of growth in demand for Cement, faster progress with construction of the Gerald Desmond Bridge in Los Angeles, and start-up of two waste collection and treatment contracts (in Florida and Texas) in the first half within the Environmental Services division.

The 12.2% decline in other markets was due broadly to completion of a number of construction contracts in Portugal.

% Revenues by region



4.2 EBITDA

EBITDA amounted to €374.6 million in the period, a 1.3% increase year-on-year due to a sharp reduction in structure and administration expenses, coupled with moderate growth in Water and stronger growth in Cement. These expenses continue to decline. Operating expenses declined by 12% in June 2016 and 9% year-to-date, while administrative expenses were cut by 18% and 13%, respectively.

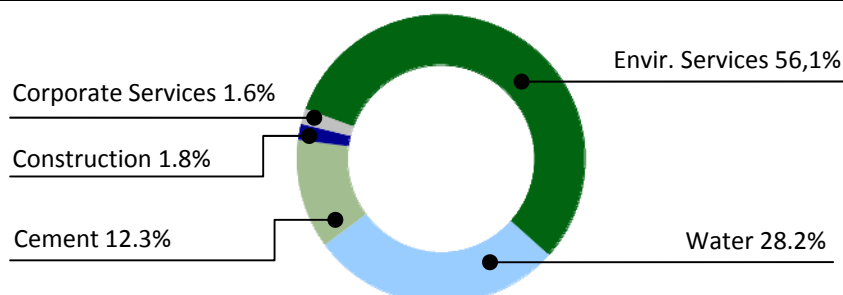
This result was achieved despite Construction contributing only €6.9 million (compared with €29 million in 2015), mainly as a result of an extraordinary charge, and also of the lack of earnings as a result of project completion.

Notable savings have been achieved in Corporate Services, which contributed a net €6.2 million in the period, contrasting with a loss of -€11 million in 2015.

There was a notable 23% increase in Cement, and a more moderate 1.3% increase in Water, while the Environment Area's contribution was practically stable (-0.1%). In Cement, in addition to higher prices and volumes in the US, demand increased in all international markets, coupled with a generalised decline in energy costs. In Water, concessions increased their contribution as operating efficiency is increasing and value-added contracts are coming into operation.

In Environmental Services the lower volume of revenues from developing the Buckinghamshire recycling plant, has no impact in EBITDA as margins are lower up until commissioning.

% EBITDA by Business Area



As a result, at 30 June 2016, the Environmental Services and Water Management areas accounted for 84.3% of Group EBITDA, and the other 15.7% came from cyclical businesses, linked to demand for infrastructure and building.

4.3 EBIT

EBIT amounted to €121.4 million in the first half of 2016, a 22.1% decline on the €155.9 million reported in the same period of 2015, due entirely to the €53.4 million charge booked in the Construction area in May to adjust resources to the aforementioned ongoing decline in infrastructure investment in Spain. Adjusting for that provision, EBIT would have increased by 12.1% year-on-year.

This item also includes a 3.6% increase in depreciation and amortisation to €203.7 million, linked to water treatment and distribution plants. It also includes €22.5 million for assets that were written up on acquisition (€22.4 million in the same period of 2015).

4.4 Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations amounted to €77.2 million, more than triple the figure in the first half of 2015 (€19.1 million) after including the following items in EBITDA:

4.4.1 *Financial result*

Net financial expenses declined by 30.8% year-on-year to €120.4 million in the first half, mainly as a result of higher financial revenues. The financial result in the period included a positive contribution of €58 million from the reduction of the Tranche B debt in April by means of a Dutch auction.

4.4.2 *Other financial results*

The main variation in this item was a €13.8 million gain on the sale of 10% of the Malaga Metro concession company, offset broadly by net translation losses of €8.5 million, contrasting with net translation gains of €12.4 million in the same period of 2015.

4.4.3 *Equity-accounted affiliates*

Companies accounted for using the equity method contributed €72.8 million in income, mainly as a result of the haircut on Realia debt agreed upon with the lenders, which enabled this investee to contribute €44.8 million, and the €16.4 million in dividends from a stake in a renewable energy company. The remainder is attributable to transport infrastructure concession operators.

4.5 Income attributable to the parent company

Net attributable income in the first half amounted to €54.8 million, contrasting with a loss of €11.9 million in the same period of 2015. This was the result of incorporating the following items into EBT:

4.5.1 *Income tax*

The corporate income tax expense amounted to €17.7 million in the period, contrasting with a revenue of €33.5 million in the previous year due to application of tax credits in the Environmental Services area.

4.5.2 *Income from discontinued operations*

Discontinued operations contributed a loss of €7.3 million, the same as in 1Q, as a result of the sale of GVI, mainly because of the impact of value adjustments which had to be recognised at the time of the sale (1Q16) in accordance with current accounting standards.

4.5.3 Non-controlling interests

Non-controlling interests, concentrated mainly in the Cement business, were attributed a loss of €2.5 million, compared with €6.5 million in 2015.

5. BALANCE SHEET

(M€)	Jun. 16	Dec. 15	Change (M€)
Intangible assets	2,935.8	3,026.4	(90.6)
Property, plant and equipment	2,985.8	3,146.4	(160.6)
Equity-accounted affiliates	578.6	587.0	(8.4)
Non-current financial assets	380.4	392.8	(12.4)
Deferred tax assets and other non-current assets	1,036.6	1,031.8	4.8
Non-current assets	7,917.0	8,184.3	(267.3)
Non-current assets available for sale	15.7	235.9	(220.2)
Inventories	636.5	648.6	(12.1)
Trade and other accounts receivable	2,116.7	2,217.1	(100.4)
Other current financial assets	287.1	230.7	56.4
Cash and cash equivalents	1,511.6	1,345.5	166.1
Current assets	4,567.7	4,677.8	(110.1)
TOTAL ASSETS	12,484.6	12,862.1	(377.5)
Equity attributable to equity holders of parent company	1,012.3	280.7	731.6
Non-controlling interests	197.8	206.5	(8.7)
Net equity	1,210.1	487.2	722.9
Grants	228.5	248.3	(19.8)
Non-current provisions	1,289.0	1,254.1	34.9
Long-term interest-bearing debt	4,983.6	5,612.2	(628.6)
Other non-current financial liabilities	77.3	66.6	10.6
Deferred tax liabilities and other non-current liabilities	610.6	536.7	73.9
Non-current liabilities	7,189.0	7,717.8	(528.8)
Liabilities linked to non-current assets available for sale	15.7	15.9	0.2
Non-current provisions	180.3	194.7	(14.4)
Short-term interest-bearing debt	1,219.1	1,437.6	(218.5)
Other current financial liabilities	39.9	91.8	(51.9)
Trade and other accounts payable	2,630.6	2,917.0	(286.4)
Current liabilities	4,085.2	4,657.0	(571.8)
TOTAL LIABILITIES	12,484.6	12,862.1	(377.5)

5.1 Equity-accounted affiliates

The investment in equity-accounted companies (€578.6 million) comprised the following at 30 June 2016:

- 1) €165 million for the 36.9% stake in Realia.
- 2) €79.7 million for investments in companies in the Water area, mainly concession companies in other countries (North Africa and Mexico).
- 3) €79.3 million for holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).
- 4) €254.5 million for the other holdings (transport infrastructure concessions, cement and renewable energy companies) and loans to affiliated companies.

5.2 Non-current assets and liabilities available for sale

The balance of €15.7 million in non-current assets available for sale at the end of the period was unchanged and related entirely to the residual business of Cemusa in Portugal. Those assets had associated liabilities for the same amount: €15.7 million.

The decline in the balance with respect to 2015 year-end is due to completion of the sale of GVI in the first quarter of 2016.

5.3 Cash and cash equivalents

The increase of €166.1 million in the period, to a balance of €1,511.6 million, is due mainly to the remainder of the funds from the capital increase completed in March (€709.5 million) following repayment of a large proportion of the Tranche B debt in April and of other debts which matured in the second quarter.

5.4 Net equity

At the end of June, net equity amounted to €1,210.1 million, a sizeable increase over 2015 year-end due to the additional capital raised in the period, which strengthened the Group's structure and finances.

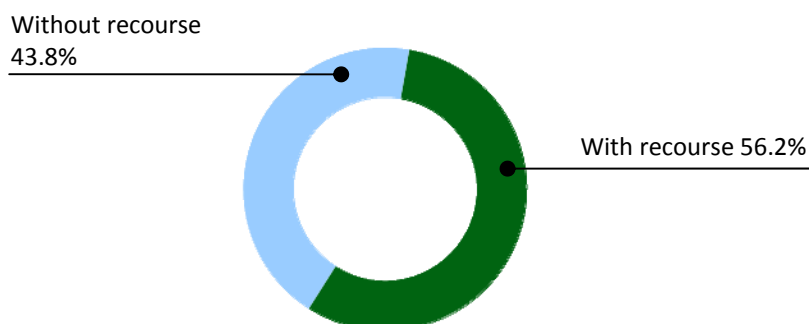
5.5 Net interest-bearing debt

(M€)	Jun. 16	Dec. 15	Change (M€)
Bank borrowings	4,843.1	5,647.7	(804.6)
Debt instruments and other loans	1,089.5	1,088.5	1.0
Accounts payable due to financial leases	50.5	62.1	(11.6)
Derivatives and other financial liabilities	219.6	251.5	(31.9)
Gross interest-bearing debt	6,202.7	7,049.8	(847.1)
Cash and other current financial assets	(1,798.9)	(1,576.2)	3,375.1
Net interest-bearing debt	4,403.8	5,473.6	(1,069.8)
<i>With recourse</i>	2,477.1	3,254.3	(777.2)
<i>Without recourse</i>	1,926.7	2,219.3	(292.6)

At the end of 1H16, net interest-bearing debt amounted to €4,403.8 million, a notable €1,069.8 million reduction with respect to 2015 year-end. This reduction was the result of several factors, including notably: The influx of cash from the €708 million capital increase performed in March. Receipt of the advance for completion and commissioning of the Buckinghamshire recycling and incineration plant in June (impact: €263.5 million). Additionally, Other current financial assets increased by €127 million due to the second instalment (due in February 2017) of the price of the sale of GVI, which took place in the first quarter of 2016.

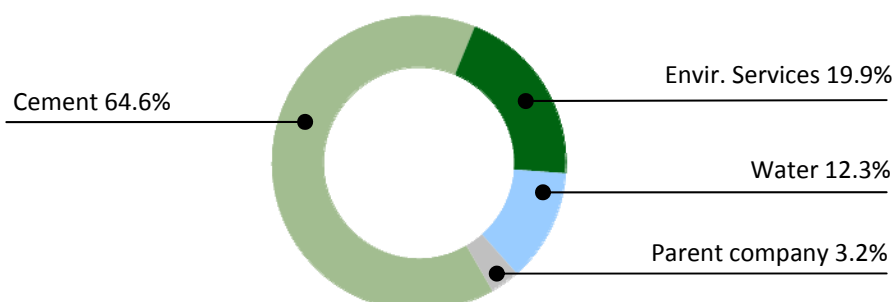
Gross financial debt, which is the basis of the financial expenses, decreased significantly by €847.1 million, to €6,202.7 million, due mainly to Tranche B repayment €386.4 million (15% haircut); Buckinghamshire debt settlement €219.6 million; and Tranche A repayment €150.0 million.

Debt with and without recourse



Net financial debt is divided between parent company debt (56.2%) and debt without recourse (43.8%). Net debt with recourse amounted to €2,477.1 million at 30 June 2016, including legacy debt from the acquisition of a number of operating companies in the various divisions, excluding Cement, and is structured mainly as a syndicated loan and a convertible bond issued by the parent company with a principal of €449.8 million.

Net debt without recourse, by area



Net interest-bearing debt without recourse to the Group parent company amounted to €1,926.7 million at the end of the period. A large proportion of that is connected to the Cement area (€1,243.7 million). Environmental Services accounts for €384.1 million (€280.7 million in the UK, €75.5 million in Central Europe and the remainder in other waste treatment and recycling plants in Spain and Portugal). Net debt without recourse in the Water area amounted to €236.7 million, of which €170.4 million relate to the Czech Republic and the other €66.3 million to a number of end-to-end water concessions in Spain. The €62.2 million at parent company level are the net project debt of the concession companies for the Coatzacoalcas tunnel in Mexico and the Conquense highway in Spain.

5.6 Other current and non-current financial liabilities

The balance of other current and non-current financial liabilities, which do not qualify as interest-bearing debt, was €117.2 million at the end of June. It includes financial liabilities such as those associated with hedging derivatives, suppliers of fixed assets, and deposits and guarantees received.

6. CASH FLOW

(M€)	Jun. 16	Jun. 15	Chg. (%)
EBITDA	374.6	369.7	1.3%
(Increase)/decrease in working capital	1.1	(405.7)	-100.3%
Income tax (paid)/received	(26.8)	(39.6)	-32.3%
Other operating cash flow	(24.1)	(55.5)	-56.6%
Operating cash flow	324.8	(131.1)	n/a
Investment payments	(207.8)	(209.6)	-0.9%
Divestment receipts	203.4	23.8	n/a
Other investing cash flow	21.4	14.8	44.6%
Investing cash flow	17.0	(171.0)	-109.9%
Interest paid	(157.8)	(162.9)	-3.1%
(Payment)/receipt of financial liabilities	(697.2)	(116.6)	n/a
Other financing cash flow	706.8	(20.2)	n/a
Financing cash flow	(148.2)	(299.7)	-50.6%
Exchange differences, change in consolidation scope, etc.	(27.5)	25.4	n/a
Increase/(decrease) in cash and cash equivalents	166.1	(576.4)	-128.8%

The main cash flow movements in June were the repayment of €150 million of the Tranche A debt and the €219.6 million settlement of debt corresponding to the Buckinghamshire incinerator, paid with the funds settled by the County Council; the company also has a 30-year operation and maintenance contract.

Following the changes in preceding months — capital increase (€708 million), Tranche B repayment (€315.3 million of principal), sale of Malaga Metro, Globalvia stakes and other minor collections (€119.9 million) as well as other minor investments (€46.0 million), Realia amongs these — cash flow in the first half of 2016 amounted to €166.1 million.

6.1 Operating cash flow

Operating cash flow improved substantially in the first half to a positive figure of €324.8 million, a notable €455.9 million improvement on the figure one year earlier.

This was due to a high level of cash conversion and a strong positive variation in working capital. It also reflects the effect of the reduction of accounts payable in June following handover of the end-to-end recycling plant in the UK by the Environmental Services division. This improvement fully offset both the seasonal increase in working capital in the first half of 2016 and the payment of €69.4 million to date for deferral of prior years' taxes. In 2016 as a whole, cash outflows under this heading are expected to amount to €109 million, to almost completely settle the deferred tax payments.

(M€)	Jun. 16	Jun. 15	Change (M€)
Environmental services	192.1	(59.2)	251.3
Water	3.9	(42.9)	46.8
Construction	(129.4)	(280.2)	150.8
Cement	(7.6)	5.7	(13.3)
Corporate services and adjustments	(57.9)	(29.1)	(28.8)
(Increase)/decrease in working capital	1.1	(405.7)	406.8

Other operating cash flow reflects the release of €28.2 million in provisions in the Construction area, linked partly to the structure adjustment plan implemented in the second quarter, as well as other lesser amounts in the Water and Environmental Services areas. It also reflects the receipt of €27.1 million in dividends, of which €16 million were from the stake in a renewable energy company.

6.2 Investing cash flow

Investing cash flow amounted to €17 million, contrasting with a negative €171 million in the same period of 2015.

Investment payments in the first half amounted to €207.8 million, including €32.9 million (in proportion to the Company's 36.9% stake) of the €89 million capital increase at Realia which was completed in the period. Investment in Environmental Services, one of the most capital-intensive areas, declined to €92.2 million, from €133.7 million the previous year, due to completion of construction of the Buckinghamshire (UK) waste incineration plant in May and efforts to contain costs throughout this division.

Divestment receipts increased substantially to €204.3 million in the first half. This item includes, in Corporate Services, the first instalment for the sale of GVI, amounting to €83 million (to be followed by a second instalment of approximately €127 million in February 2017), plus €27.7 million received for the sale of 10% of the Malaga Metro concession company. Additionally, it includes €63.4 million in the Environmental Services area as the advance of the financial asset corresponding to completion and commissioning of the recycling plant in the UK.

The breakdown of net investments by area, in terms of net investment payments and divestment receipts, is as follows:

(M€)	Jun. 16	Jun. 15	Change (M€)
Environmental services	(27.4)	(120.1)	92.7
Water	(29.9)	(28.5)	(1.4)
Construction	(26.7)	(21.3)	(5.4)
Cement	(6.4)	(6.2)	(0.2)
Corporate services and adjustments	86.0	(9.7)	95.7
Net investments (Payments - Receipts)	(4.4)	(185.8)	181.4

Other investing flows refer to the financial interest received plus other changes in loans to third parties and investees, mainly in the Water division.

6.3 Financing cash flow

Consolidated financing cash flow amounted to €148.2 million in the period. This included the receipt of €708 million from the capital increase on 4 March. Cash flow was reduced by €697.2 million due, among other factors, to the repayment on schedule of €150 million under the parent company's syndicated loan, to the repayment of a large proportion of Tranche B of that loan by means of a Dutch auction (€315.3 million), and to a reduction of another €219.6 million in the Environmental Services area due to repayment of the debt using the advance received in June upon entry into service of a treatment and recycling plant in the UK.

Interest payments amounted to €157.8 million in the first half, compared with €162.9 million in the same period of 2015.

6.4 Exchange differences, change in consolidation scope, etc.

This item was negative in the amount of €27.5 million in the first half of 2016, contrasting with the positive difference of €25.4 million in 2015. This change is due to the impact of currency fluctuations on cash, concentrated in the Environmental Services area (UK).

6.5 Variation in cash and cash equivalents

Combining the foregoing flows, and despite the reduction in gross interest-bearing debt, the Group's net cash position increased by €166.1 million with respect to 2015 year-end, to €1,511.6 million at the end of June.

7. BUSINESS PERFORMANCE

7.1 Environmental services

The Environmental Services area accounts for 56.1% of Group EBITDA. A total of 95.3% 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 4.7% corresponds to industrial waste collection and management.

FCC's business in Spain focuses on municipal waste management and street cleaning; in the UK, it is involved principally in municipal waste treatment, recovery and disposal; in Central and Eastern Europe, mainly Austria and the Czech Republic, FCC has a balanced presence throughout the municipal waste management chain (collection, processing and disposal). In Portugal and other countries, FCC is involved in both industrial and municipal waste management.

7.1.1 Results

(M€)	Jun. 16	Jun. 15	Chg. (%)
Revenues	1,367.0	1,420.6	-3.8%
<i>Environment</i>	1,303.0	1,356.8	-4.0%
<i>Industrial Waste</i>	64.0	63.8	0.3%
EBITDA	210.0	210.2	-0.1%
<i>EBITDA margin</i>	15.4%	14.8%	0.6 p.p
EBIT	112.8	106.4	6.0%
<i>EBIT margin</i>	8.3%	7.5%	0.8 p.p

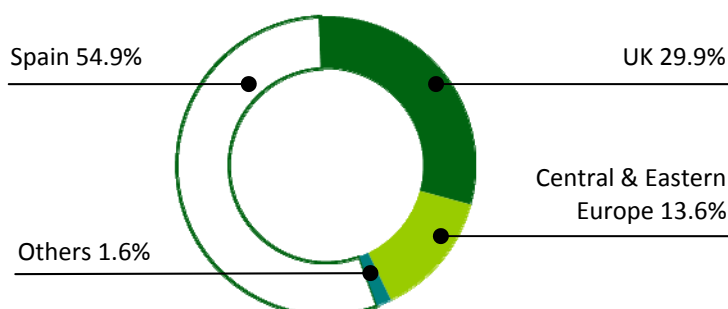
Revenues in the Environmental Services area declined by 3.8% to €1,367 million in the first half of 2016, almost entirely as a result of a decline in revenues in the United Kingdom.

Revenue breakdown, by region			
(M€)	Jun. 16	Jun. 15	Chg. (%)
Spain	750.8	751.9	-0.1%
United Kingdom	408.4	465.9	-12.3%
Central Europe	185.7	180.1	3.1%
Portugal, etc.	22.1	22.7	-2.6%
Total	1,367.0	1,420.6	-3.8%

Revenues in Spain amounted to €750.8 million, in line with the previous year, whereas in the UK they declined by 12.3% to €408.4 million due to the lower revenues from construction of the Buckinghamshire waste incineration plant. That infrastructure was completed in June, enabling the company to commence the operation and maintenance phase, which will last for 30 years. There was also a negative effect of depreciation by the pound sterling (6% in the first half), and the reduction in the contribution from the landfill business, which is being wound down; however, the latter effect is being broadly offset by an increase in revenues from municipal solid waste treatment and incineration.

Revenues in Central Europe increased by 3.1%, boosted by expanding business in the Czech Republic, mostly as a result of a new street cleaning contract in Prague. The slight decline in Other markets is due mainly to completion of the decontamination contract in Portugal (Industrial Waste business), which will foreseeably be offset by business growth in the US.

Revenue breakdown, by region



EBITDA amounted to €210 million and was stable with respect to 2015; however the EBITDA margin improved by 0.6 percentage points to 15.4%. This increase in the margin is mainly due to the lower proportion of revenues from the construction of the Buckinghamshire waste incineration plant, whose margins are lower in the development phase, as well as the aforementioned effect of winding down the landfill business.

EBIT amounted to €112.8 million, a 6% increase year-on-year, due mainly to lower depreciation and amortisation.

Backlog breakdown, by region

(M€)	Jun. 16	Dec. 15	Chg. (%)
Spain	6,995.8	7,112.0	-1.6%
International	4,209.4	4,713.7	-10.7%
Total	11,205.2	11,825.7	-5.2%

The area's backlog declined by 5.2% with respect to 2015 year-end. The backlog in Spain shrank by 1.6%, while the international backlog declined by 10.7%, mainly as a result of depreciation of sterling against the euro. The international backlog has yet to incorporate the contract for construction and operation of the Edinburgh and Midlothian incineration plant (Scotland), worth over €600 million, which is currently in the process of financial completion. The total backlog amounts to approximately 4 times revenues in the last twelve months.

7.1.2 Cash flow

(M€)	Jun. 16	Jun. 15	Chg. (%)
EBITDA	210.0	210.2	-0.1%
(Increase)/decrease in working capital	192.1	(59.2)	n/a
Income tax (paid)/received	(3.8)	(4.8)	-20.8%
Other operating cash flow	(8.6)	5.9	n/a
Operating cash flow	389.7	152.1	156.2%
Investment payments	(92.2)	(133.7)	-31.0%
Divestment receipts	64.8	13.6	n/a
Other investing cash flow	0.7	(9.1)	-107.7%
Investing cash flow	(26.7)	(129.2)	-79.3%
Interest paid	(46.1)	(52.7)	-12.5%
(Payment)/receipt of financial liabilities	(277.6)	(124.4)	123.2%
Other financing cash flow	0.2	(0.6)	-133.3%
Financing cash flow	(323.5)	(177.7)	82.0%
Exchange rate variations, etc.	(20.5)	17.5	n/a
Increase/(decrease) in cash and cash equivalents	19.1	(137.3)	-113.9%

(M€)	Jun. 16	Dec. 15	Change (M€)
Without recourse	384.1	659.6	(275.5)

Operating cash flow in the Environmental Services area increased sharply, to €389.7 million, €237.6 million more than in the same period of 2015. This was due mainly to good working capital performance, including the receipt of an advance of €156.2 million associated with completion of development of the Buckinghamshire incineration plant.

Investment payments amounted to €92.2 million, compared with €133.7 million in 2015, mainly as a result of the slower pace of construction of that incineration plant, and also of the containment of capital expenditure in this area as a whole.

Divestments receipts increased to €64.8 million in 2016 due to receipt of €63.4 million in connection with the Buckinghamshire plant, which was recognised as a financial asset during the development phase, as required by the accounting standards.

Net financial debt without recourse in this area declined sharply, by €275.5 million, driven by receipt of the advance associated with the Buckinghamshire incinerator, and also the positive effect of sterling's depreciation. Of the total outstanding debt, €280.7 million relates to the UK, €75.5 million to Central Europe and the remaining €28.8 million to waste treatment and recycling plants in Spain and Portugal.

7.2 End-to-End Water Management

The Water area accounted for 28.2% of FCC Group EBITDA in the period. Public concessions and end-to-end water management (capture, purification, distribution and treatment) account for 88.5% of total revenues, and Technology and Networks (development, engineering and outfitting of water infrastructure) account for the other 11.5%.

FCC serves more than 13 million people in over 850 municipalities in Spain. In Central Europe, FCC serves 1.3 million users, mainly in the Czech Republic. It also has a strong presence in Italy and Portugal. FCC designs, equips and operates water treatment plants in Latin America and the Middle East and North Africa. Overall, FCC Aqualia provides water supply and/or sewage treatment services to over 23 million people.

7.2.1 Results

(M€)	Jun. 16	Jun. 15	Chg. (%)
Revenues	480.8	502.2	-4.3%
<i>Concessions and services</i>	425.6	418.5	1.7%
<i>Technology and networks</i>	55.2	83.7	-34.1%
EBITDA	105.5	104.1	1.3%
<i>EBITDA margin</i>	21.9%	20.7%	1.2 p.p
EBIT	61.5	62.1	-1.0%
<i>EBIT margin</i>	12.8%	12.4%	0.4 p.p

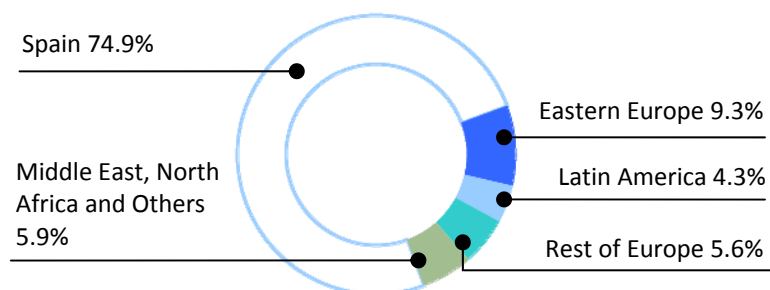
This area's revenues declined by 4.3% year-on-year, to €480.8 million, mainly as a result of the decline in technology and networks business in the domestic market as public administrations cut back investment in water infrastructure. This decline will be offset in the future by an increase in revenues from new contracts in other countries.

Revenue breakdown, by region			
(M€)	Jun. 16	Jun. 15	Chg. (%)
Spain	360.2	379.0	-5.0%
Central Europe	44.6	42.8	4.2%
Latin America	20.9	35.5	-41.1%
Rest of Europe (Portugal and Italy)	26.9	27.7	-2.9%
Middle East, North Africa and Others	28.2	17.2	64.0%
Total	480.8	502.2	-4.3%

Central Europe increased by 4.2% as a result of updated tariffs and higher billing volumes in the end-to-end contract in the Czech Republic, operated through subsidiary SmVAK.

The decline in revenues in Latin America is due to the completion of two major groundwater extraction projects in Mexico. This was broadly offset by growth in the Middle East and North Africa due to work on networks in Riyadh and treatment plants in Mecca (Saudi Arabia).

Revenue breakdown, by region



EBITDA improved by 1.3% with respect to 2015, to €105.5 million, and the EBITDA margin increased to 21.9%. This was due to the combined effect of a lower weighting for technology and network business and an increase in the profitability of the concession business, mainly as a result of improvements in contract operating efficiency and in administration expenses.

Backlog breakdown, by region

(M€)	Jun. 16	Dec. 15	Chg. (%)
Spain	8,885.8	9,924.2	-10.5%
International	6,191.6	4,519.5	37.0%
Total	15,077.4	14,443.7	4.4%

The backlog expanded by 4.4% with respect to 2015 year-end, to €15,077.4 million, i.e. almost 15 times revenues in the last 12 months. The international backlog expanded by 37% to €6,191.6 million, driven by the extension in the Czech Republic, a new contract to build a desalination plant in Egypt (€114.6 million), and another €96.4 million for the construction and operation of a waste water treatment in Bogotá (El Salitre).

7.2.2 Cash flow

(M€)	Jun. 16	Jun. 15	Chg. (%)
EBITDA	105.5	104.1	1.3%
(Increase)/decrease in working capital	3.9	(42.9)	-109.1%
Income tax (paid)/received	(6.2)	(4.0)	55.0%
Other operating cash flow	1.5	7.9	-81.0%
Operating cash flow	104.7	65.1	60.8%
Investment payments	(30.3)	(34.7)	-12.7%
Divestment receipts	0.4	6.2	-93.5%
Other investing cash flow	(2.6)	(10.4)	-75.0%
Investing cash flow	(32.5)	(38.9)	-16.5%
Interest paid	(13.9)	(18.8)	-26.1%
(Payment)/receipt of financial liabilities	(50.5)	(15.5)	n/a
Other financing cash flow	0.2	(24.8)	-100.8%
Financing cash flow	(64.2)	(59.1)	8.6%
Exchange rate variations, etc.	(0.7)	0.4	n/a
Increase/(decrease) in cash and cash equivalents	7.3	(32.5)	-122.5%

(M€)	Jun. 16	Dec. 15	Change (M€)
Without recourse	236.7	249.8	(13.1)

Operating cash flow increased by 60.8% to €104.7 million due to improved working capital management, favoured by a significant reduction in customer balances during the first half. The figure at 30 June includes the payment of €10.5 million corresponding to deferred taxes (slightly more than the €9.2 million paid in the same period of 2015).

Payments for investments declined to €30.3 million, while other investing cash flow increased due to the repayment of loans that were granted to other Group companies in the previous year. This effect is eliminated at Group level and, consequently, has no impact on the consolidated cash flow statements.

Interest payments declined by €4.9 million to €13.9 million, broadly as a result of the refinancing in July 2015 of the debt associated with the Czech subsidiary, which led to a significant reduction in the applicable interest rate.

As a result, the area's net cash balance increased by €7.3 million. Net debt without recourse declined slightly in 2016, to €236.7 million. Of that amount, €170.4 million related to the business in the Czech Republic and the other €66.3 million to a number of end-to-end water concessions in Spain.

7.3 Construction

The Construction area is mainly involved in the design and construction of large civil engineering and industrial works 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.

7.3.1 Results

(M€)	Jun. 16	Jun. 15	Chg. (%)
Revenues	740.6	960.4	-22.9%
EBITDA	6.9	29.0	-76.2%
<i>EBITDA margin</i>	<i>0.9%</i>	<i>3.0%</i>	<i>-2.1 p.p</i>
EBIT	(64.7)	(5.3)	n/a
<i>EBIT margin</i>	<i>-8.7%</i>	<i>-0.6%</i>	<i>-8.2 p.p</i>

This area's revenues amounted to €740.6 million in the first half, down 22.9% year-on-year due mainly to the 39.4% contraction in Spain. This decline, which is similar to that registered in the first quarter, is the result of a steady reduction in government investment in infrastructure.

The reduction in revenues in Spain was partly offset by international markets, which now account for 64% of total area revenues and declined more moderately, by 8.9% in the first half, due to the combined effect of the completion of certain projects during the past year that was not fully offset by the commencement of projects that are getting under way (Lima Metro) and others that have been awarded recently (Panama Metro Line 2 and the Toyo Tunnel).

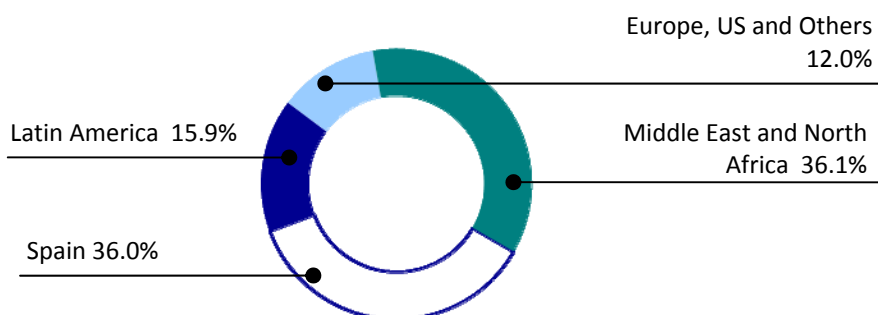
Revenue breakdown, by region			
(M€)	Jun. 16	Jun. 15	Chg. (%)
Spain	266.6	440.0	-39.4%
Middle East and North Africa	267.6	181.7	47.3%
Latin America	117.5	231.8	-49.3%
Europe, US, etc.	88.9	106.9	-16.8%
Total	740.6	960.4	-22.9%

Revenues surged in the Middle East and North Africa (+47.3%) due mainly to the execution of the Riyadh Metro and Doha Metro projects.

Revenues in Latin America continued to decline, as in previous periods, having fallen by 49.3% year-on-year due to the completion and lower progress of major projects, such as Panama Metro Line 1 and the expansion of the port of Callao in Lima, while new projects are making only a very limited contribution as yet or have yet to start.

The 16.8% decline in revenues in Europe, United States and other markets was due to completion of certain road projects in Portugal and Romania and the cessation of operations in Poland.

Revenue breakdown, by region



EBITDA was low, amounting to just €6.9 million, contrasting with €29 million in the same period of 2015. This was due to continuing low volume of activity, recognition of losses on certain international projects, and a provision for taxes booked in the first quarter.

EBIT was negative in the amount of €64.7 million, mainly due to a €53.4 million provision booked in May to adjust production resources to the decline in demand for infrastructure investment in Spain.

Backlog breakdown, by region

(M€)	Jun. 16	Dec. 15	Chg. (%)
Spain	1,196.0	1,358.8	-12.0%
International	4,018.6	4,871.5	-17.5%
Total	5,214.7	6,230.3	-16.3%

The area's backlog declined to €5,214.7 million, 16.3% less than at 2015 year-end. The decline in the backlog in Spain is due to persisting low demand for civil engineering. The reduction in the international backlog (-17.5% to €4,018.6 million) is due to the low order intake in the period, with bids being concentrated in large infrastructure projects, and also, to a lesser extent, to exchange rate fluctuations impacting the value of future revenues in certain geographies (Saudi Arabia).

Backlog breakdown, by business segment

(M€)	Jun. 16	Dec. 15	Chg. (%)
Civil engineering	4,015.2	5,008.2	-19.8%
Building	781.7	907.2	-13.8%
Industrial projects	417.7	314.9	32.6%
Total	5,214.7	6,230.3	-16.3%

Civil engineering and industrial projects expanded to 85% of the total due to the increased order intake in connection with industrial facility projects, while building (almost entirely non-residential) accounted for the remaining 15%.

7.3.2 Cash flow

(M€)	Jun. 16	Jun. 15	Chg. (%)
EBITDA	6.9	29.0	-76.2%
(Increase)/decrease in working capital	(129.4)	(280.2)	-53.8%
Income tax (paid)/received	(15.1)	(11.8)	28.0%
Other operating cash flow	(42.6)	(55.9)	-23.8%
Operating cash flow	(180.2)	(318.9)	-43.5%
Investment payments	(36.7)	(29.5)	24.4%
Divestment receipts	10.0	8.2	22.0%
Other investing cash flow	8.8	130.0	-93.2%
Investing cash flow	(17.9)	108.7	-116.5%
Interest paid	(6.1)	(8.9)	-31.5%
(Payment)/receipt of financial liabilities	130.9	36.6	n/a
Other financing cash flow	1.0	0.0	n/a
Financing cash flow	125.8	27.7	n/a
Exchange rate variations, etc.	(2.5)	4.3	-158.1%
Increase/(decrease) in cash and cash equivalents	(74.7)	(178.2)	-58.1%

(M€)	Jun. 16	Dec. 15	Change (M€)
Without recourse	0.0	0.0	0.0

The area's operating cash flow increased substantially, by €138.7 million year-on-year, to -€180.2 million in the first half of 2016. This was due to better working capital performance despite the normal seasonal deterioration in the first half of the year, since it amounted to €150.8 million less than in the same period last year. Other operating cash flow included €42.6 million of provisions released in connection with the workforce adjustment that commenced in May, and the closure of certain projects.

Working capital this year included the payment of €15.6 million in tax that had been deferred in previous years.

Investment payments amounted to €36.7 million (€29.5 million in the first half of 2015), including mainly the investment in specialised machinery for certain contracts, particularly underground civil engineering work, and investment payments by companies in the area. Other investing cash flow, amounting €8.8 million, basically refers to changes in loans to Group companies.

The €125.8 million increase in financing cash flow in the period is due to the drawdown of €130.9 million of funding with other Group companies, which is eliminated in consolidation.

Net interest-bearing debt without recourse was eliminated from this area when the two concession companies holding this debt (Coatzacoalcos tunnel in Mexico and Conquense highway in Spain) were transferred to the Group parent company.

7.4 Cement

The Cement area accounted for 12.3% of FCC Group EBITDA in the first half of 2016, through the 77.9% stake in Cementos Portland Valderrivas (CPV). This area produces mainly cement; it has seven factories in Spain, three in the US and one in Tunisia.

7.4.1 Results

(M€)	Jun. 16	Jun. 15	Chg. (%)
Revenues	284.1	289.2	-1.8%
<i>Cement</i>	254.0	255.9	-0.7%
<i>Other</i>	30.1	33.3	-9.6%
EBITDA	46.0	37.4	23.0%
<i>EBITDA margin</i>	16.2%	12.9%	3.3 p.p
EBIT	13.8	5.2	165.4%
<i>EBIT margin</i>	4.9%	1.8%	3.1 p.p

This area's revenues declined by 1.8% with respect to the same period of 2015, to €284.1 million, due to a slight 0.7% decline in cement sales and a sharper decline in other activities (concrete, mortar, aggregate and waste treatment in the US).

Revenue breakdown, by region			
(M€)	Jun. 16	Jun. 15	Chg. (%)
Spain	92.7	100.7	-7.9%
US and Canada	106.7	98.8	8.0%
Tunisia	38.3	41.6	-7.9%
UK and others	46.4	48.1	-3.5%
Total	284.1	289.2	-1.8%

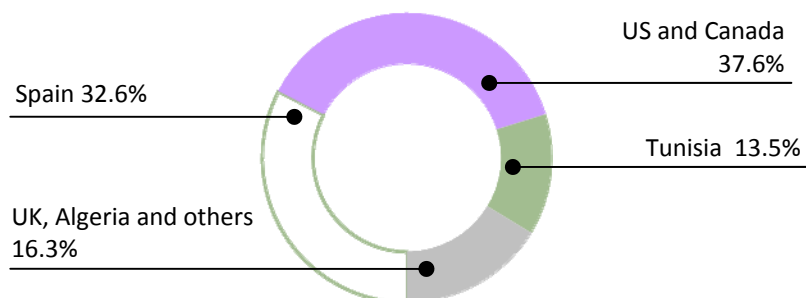
Revenues in Spain declined by 7.9%, due to the combination of lower prices and a year-on-year decline in cement consumption, in line with the domestic industry's performance as a whole.

Revenues in the US and Canada increased by 8%, boosted by the market rebound, which is visible in the steady recovery in cement consumption and prices. Additionally, revenues from secondary businesses related to waste recovery improved their contribution to earnings due to a better production capacity.

Revenues in Tunisia declined by 7.9% despite price improvements because of a decline in domestic market consumption in the second quarter.

Exports to the UK and other markets declined by 3.5%, broadly as a result of sterling's performance in the period (-6%).

Revenue breakdown, by region



EBITDA increased to €46 million, i.e. 23% more than the €37.4 million booked in the same period last year. The EBITDA margin increased by 3.3 percentage points, mainly because of the reduction in variable energy costs and of favourable trends in the US market, which expanded to account for 16.2% of revenues.

Earnings and margins improved despite the adverse comparable effect arising from the lack of sales of CO₂ rights this year, contrasting with €2.3 million in the first half of 2015. In like-for-like terms, EBITDA increased by 31% in the first half.

7.4.2 Cash flow

(M€)	Jun. 16	Jun. 15	Chg. (%)
EBITDA	46.0	37.4	23.0%
(Increase)/decrease in working capital	(7.6)	5.7	n/a
Income tax (paid)/received	(1.4)	(3.1)	-54.8%
Other operating cash flow	(0.7)	(3.8)	-81.6%
Operating cash flow	36.3	36.2	0.3%
Investment payments	(7.3)	(8.7)	-16.1%
Divestment receipts	0.9	2.5	-64.0%
Other investing cash flow	2.1	0.5	n/a
Investing cash flow	(4.3)	(5.7)	-24.6%
Interest paid	(40.0)	(53.6)	-25.4%
(Payment)/receipt of financial liabilities	14.3	8.1	76.5%
Other financing cash flow	(1.6)	(2.0)	-20.0%
Financing cash flow	(27.3)	(47.5)	-42.5%
Exchange rate variations, etc.	(1.9)	3.3	-157.6%
Increase/(decrease) in cash and cash equivalents	2.8	(13.8)	-120.3%
(M€)	Jun. 16	Dec. 15	Change (M€)
Without recourse	1,243.7	1,248.9	(5.2)

Operating cash flow totalled €36.3 million in the first half of 2016, a slight increase on the same period of 2015 (€36.2 million).

Capital expenditure kept pace with demand and was confined to preventative and maintenance expenses. Cash outflows under this heading in the first half of 2016 amounted to €7.3 million.

Interest expenses amounted to €40 million in the first half, compared with €53.6 million the previous year; the decrease was due mainly to differences in interest settlement calendars between years.

As is appropriate for a listed company that is managed independently and has minority shareholders, the bulk of the Cement area's debt is without recourse to FCC. The €5.2 million reduction in this item in year-on-year terms is due to the positive impact of the dollar's depreciation against the euro in the first half of 2016.

The €819 million syndicated loan arranged by the Cementos Portland Valderrivas parent company matures on 31 July, and management estimates that it will be renewed in the next days with a new funding structure that is more aligned with the improvements in the Cement area's capital structure, cash flow and operating environment. A regulatory disclosure will be released once that funding facility becomes operational.

8. SHARE DATA

8.1 Share performance

	Jan. – Jun. 2016	Jan. – Jun. 2015
Closing price (€) ⁽¹⁾	7.59	8.88
Appreciation	11.33%	(23.21%)
High (€) ⁽¹⁾	7.62	11.57
Low (€) ⁽¹⁾	6.03	8.47
Average daily trading (shares)	2,636,366	2,283,887
Average daily trading (M€)	19.0	24.2
Market cap. at end of period (M€)	2,875	2,378
No. of shares outstanding	378,825,506	260,572,379

⁽¹⁾ Data adjusted for the capital increase in 2016 (118.25 million shares).

8.2 Dividends

No dividends were paid in the first half of 2016.

8.3 Own shares

At 30 June 2016, the FCC Group held a total of 415,500 own shares directly and indirectly (0.11% of the company's capital).

On 18 December 2015, as required by current legislation, the Company announced suspension of the liquidity contract in force with an independent financial institution in view of the impending execution of the capital increase approved by the Board of Directors in December and completed in March 2016.

Upon completion of the capital increase, on 4 March 2016, Inversora Carso announced a mandatory takeover bid for FCC; consequently, by virtue of section 2.b) of Rule 5 of CNMV Circular 3/2007, of 19 December, all operations under the liquidity contract were suspended from that date until the takeover bid concluded, yesterday 28 July. The liquidity contract was still suspended at the date of this report, 29 July 2016.

9. OUTLOOK AND RISKS FOR 2H 2016

The FCC Group operates worldwide and, consequently, its activities are subject to a range of rules and regulations, which require listed companies to maintain higher levels of governance in order to ensure proper risk management and compliance.

In this context, the FCC Group is implementing an Integrated Risk Management and Compliance System within the Group's Governance, Risk Management and Compliance strategy, based on coordination, cooperation and integration of these three pillars within the organisation with a view to achieving a reasonable degree of certainty as to the attainment of objectives, reliability of information, and regulatory compliance.

That risk management and control system is based on three levels of risk management or lines of defence; the first two are located in the business unit that generates risk exposure for the FCC Group in the normal course of business; the third comprises the corporate functions reporting to Senior Management (Corporate General Managers) and the Internal Audit and Risk Management and Compliance functions that report to the Audit and Control Committee, through the office of the General Manager of Internal Audit, Risk Management and Compliance.

The first line of defence is located in the business unit's operational lines, which act as risk-takers and are responsible for properly managing, tracking and reporting the risk they generate, which must conform to the authorised risk appetite and risk limits.

As part of the second line of defence, Risk Committees are responsible for implementing the Risk Management System in their business area, analysing and monitoring the levels of risk exposure, designing indicators, and integrating controls into the various activities; they are also responsible for approving the business unit's Risk Map.

Additionally, the Risk Management and Compliance function forms part of the third line of defence and its functions encompass supervision, coordination, tracking and integration of the risk control and management process within the organisation.

In the first half of 2016, a partial risk management process was conducted in each of the business areas with the support of two basic tools: Risk Maps and Risk Materialisation Reports, which allow for:

- The identification of key risks for FCC Group, addressing potential threats to the achievement of the organization's objectives at the level of each business area.
- Risk assessment. Risk assessment scales are defined as a function of their potential impact in the event that they occur and their probability of occurring.
- Mechanisms for regularly reporting risk assessment and monitoring outcomes.
- Implementation of specific procedures to document risk management in business decision-making.
- Identification of controls and procedures that mitigate both their economic impact and their probability of occurrence.

In line with best practices in the field and the COSO methodology, the FCC Group's risk management system categorises risks as: strategic, operational, compliance, financial, and reporting.

Those risks, and the systems for monitoring and managing them, are covered in detail in the 2015 consolidated financial statements, in section E of the Corporate Governance report, and in the annex with additional information on internal control over financial reporting (ICFR) systems for 2015.

In addition to the risks inherent in the businesses in which FCC operates, the Group is exposed to a range of financial risks, including notably:

- Capital risk
- Exchange rate risk
- Interest rate risk
- Solvency risk

- Liquidity risk
- Concentration risk
- Customer credit risk
- Risk of hedging with financial derivatives

The plans for monitoring financial risks in the second half of the year do not differ from the control systems described in detail in the FCC Group's consolidated financial statements for 2015, which were operational during the first half of 2016.

Notable risks which materialised and were monitored in the first half of 2016 include the following:

The FCC Group has a sizeable level of debt, arising basically from finance contracts and other funding agreements. That indebtedness might increase for a number of reasons, including fluctuations in operating profit, capital expenditure, working capital needs and acquisitions or joint ventures. The FCC Group's most recent capital increase, approved in December 2015 and completed in the first quarter of 2016, amounting to €709.5 million, resulted in further progress in the process of consolidating and optimising the capital structure, providing a sound funding platform with strong capacity and operational flexibility.

Additionally, €819 million syndicated loan arranged by the Cementos Portland Valderrivas parent company matures on 31 July, and management estimates that it will be renewed in the next days with a new funding structure that is more aligned with the improvements in the Cement area's capital structure, cash flow and operating environment. A regulatory disclosure will be released once that funding facility becomes operational. The parent company will allocate a portion of the funds from the capital increase as financial support in the renegotiation process.

The general decline in economic activity, particularly in Spain, resulted in a reduction in FCC Group revenues. In response to this situation, the Group has been adjusting its structure to the current conditions of market demand through a number of personnel restructuring measures, with the result that it has gradually tailored its workforce to projected production levels. These adjustments are ongoing in 2016, leading to higher levels of production efficiency whose results will be more evident in future years.

As a result of the economic and financial crisis, capital expenditure had been scaled back and restricted in Spain, leading to a sharp reduction in government tenders, affecting mainly the construction sector; according to the latest figures from trade group SEOPAN, public tenders in infrastructure were down 24.8% year-on-year in May 2016. The FCC Group has mitigated this situation by selectively increasing its presence in other countries and obtaining new contracts, focusing on selected geographies and value-added projects.

The cement business in Spain has also been harshly affected by the economic and financial crisis. According to data published by Oficemen, cement consumption in Spain in 2015 was back at 1960s levels, and 26% of the 2007 peak; the situation did not improve significantly in the first half of 2016. Nevertheless, the CPV Group's EBITDA improved year-on-year in the first half of 2016.

A number of steps have been taken to optimise costs in existing projects, given the delays with new contracts, re-scheduling of existing contracts and delays in approvals, and the Group is tracking each of the affected contracts specifically and is adjusting its projections as appropriate.

Given the possibility that the United Kingdom may leave the European Union, the FCC Group analysed the negative impact of such an outcome by considering a number of scenarios with regard to the value of its UK investments and the funding of its activities in that country. There were no material impacts on the P&L in the first half of 2016, although there was a direct impact due to currency depreciation.

The accompanying consolidated mid-year financial statements include provisions for contingency that management considers to be appropriate to cover the risks currently identified. Nevertheless, because of the nature of the Group's activities, additional risks might come to light that might require additional provisions.

Explanatory note

EBITDA

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

BACKLOG

The FCC Group uses backlog as a non-IFRS measure to track performance in certain of our businesses. We calculate backlog for our Environmental Services, Water and Construction Business Areas because these businesses are characterized by medium- and long-term contracts. Because of its typically short-term purchase cycle, we do not calculate backlog for our Cement Business Area.

As at any given date, our backlog reflects pending production, that is, amounts under contracts or customer orders, net of taxes on production, less any amounts under those contracts or orders that we have recognized as revenue. We value pending production according to the expected number of units at current prices as at the date of calculation. We include in backlog only amounts to which customers are obligated by a signed contract or firm customer order.

In our Environmental Services Business Area, we recognize backlog for our waste treatment management contracts only when the relevant contract grants us exclusivity in the geographical area where the plant, landfill or other installation is located.

In our Water Business Area, we calculate initial backlog on the basis of the same long-term volume estimates that serve as the basis for our contracts with customers and for the tariffs set in those contracts.

In our Construction Business Area, we recognize the backlog only when we have a signed contract with, or a firm order from, the end customer.

Once we have included a contract in our backlog, the value of pending production under that contract remains in backlog until fulfilled or cancelled. However, we do adjust the values of orders in backlog as needed to reflect changes to price and schedule that we may agree with customers. For example, after the date of calculation, a price may increase or decrease as a result of changes in contractual production due to additional works to be performed. Due to a number of possible factors, we could fail to realize as revenue part or all of our calculated backlog with respect to a given contract or order. Our backlog is subject to adjustments and project cancellations and is, therefore, an uncertain indicator of future earnings.

10. Disclaimer

The interim financial information contained in this document was obtained from the consolidated interim financial statements as of 30 June 2016, prepared in accordance with the International Financial Reporting Standards (IFRSs) that had been adopted by the European Union at the end of the period, in conformity with Regulation (EC) no 1606/2002 of the European Parliament and of the Council of 19 July 2002, which were been reviewed in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the International Federation of Accountants (IFAC).

No liability whatsoever is assumed by the Company, its advisors or representatives, whether for negligence or otherwise, with respect to any loss or damage arising from any use whatsoever of this document or its contents.

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11. CONTACT DETAILS

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