FCC obtains its sixth municipal waste management contract in Texas (USA)

1) SIGNIFICANT EVENTS	2
2) EXECUTIVE SUMMARY	3
3) SUMMARY BY BUSINESS AREA	4
4) INCOME STATEMENT	5
5) BALANCE SHEET	10
6) CASH FLOW	13
7) BUSINESS PERFORMANCE	15
8) SHARE DATA	23
9) RISKS AND PROSPECTS FOR 2H17	24
10) DISCLAIMER	26
11) CONTACT DETAILS	27

1. SIGNIFICANT EVENTS

Successful novation of the bulk of the FCC Group's interest-bearing debt

The novation of the conditions governing FCC, S.A.'s syndicated loan came into force on 8 June 2017; this is a milestone in the process of optimising the Group's finances and will have a positive impact on free cash flow in the coming months.

The refinancing agreement was completed with the immediate early repayment of 1,100 million of existing borrowings using the funds obtained from two bond issues by FCC Aqualia, S.A. in the international capital market. The bonds, with nominal amounts of €700 million and €650 million, mature in 2022 and 2027 and pay annual coupons of 1.413% and 2.629%, respectively.

After this partial repayment, the parent company's net financial debt was reduced substantially to a balance of €1,488.9 million as of 30 June 2017, 36.1% less than at the end of 2016, and its maturity was extended to five years, while the interest rate was linked to Euribor plus a spread of 2.3%, i.e. about 170 basis points less than in the previous structure. This combined deal will substantially reduce the FCC Group's overall funding costs.

A consortium of which FCC Construction is a member has been awarded three more sections of railway in Romania worth a total of €1,634 million

In April 2017, CNFR, Romania's national railway company, adjudicated the contract to upgrade three sections of railway in the Transylvania region to a consortium of which FCC Construction is a member. The contract is worth €1,634 million and is to be executed in 36 months.

This contract establishes Romania as one of the Group's main markets; it is involved in contracts there worth a combined total of €2,106 million, and FCC Construction is now one of the leading companies involved in developing Romania's transport infrastructure.

FCC Construction is a member of the consortium that was awarded the Mexico City Airport contract worth €3,900 million

On 6 January, Mexico City's public airport authority awarded a contract to build the terminal building for the New International Airport for Mexico City to a consortium of companies headed by Grupo Carso, in which FCC Construction and other companies in the industry are also members, since its bid was rated the best in economic and technical terms. The contract amounts to €3,900 million and is to be completed in 44 months. The project will give Mexico City one of the most modern airports in the world, with capacity for 125 million passengers per year.

FCC Environment lands another waste management contract in Texas, its eighth in the USA

In June 2017, FCC was awarded a $32.5 million contract to collect and treat waste from the city of Rowlett, Texas, for a period of 7 years, with the possibility of a 3-year extension. The contract includes managing the city's residential and commercial waste and will provide about 5,000 tons of waste per year for the Group's recycling plant in Dallas, which was inaugurated this year. Including the contracts obtained in the cities of Garland and Mesquite in the first quarter, the Environment division added over $300 million to its backlog in the US in the first half of 2017.

FCC Environment commissions its ninth energy-from-waste plant

In the first half of the year, the Environmental Services division started up its ninth energy-from-waste plant, to serve Worcestershire and Herefordshire, in the United Kingdom. The complex was designed, developed and built by Mercia Waste Management, a company owned 50% by FCC. The plant will be able to process up to 200,000 tons of waste per year and has 15 MW installed capacity to generate electricity, which will be fed to the grid.

The Environmental Services division now has nine plants for reusing and obtaining energy from municipal solid waste, making it a world leader in end-to-end treatment of municipal waste.

CPV, S.A. completes capital increase, resulting in FCC owning 98.4% of this subsidiary

After the period for the equity issue by CPV, S.A. concluded on 23 July, FCC had attained 98.5% of this company, which is the head of the Cement division. The deal was a conversion of subordinated loans granted to the subsidiary in preceding years and was in compliance with the terms of the delisting takeover bid for CPV's shares in February.

Citizen Services

2. EXECUTIVE SUMMARY

◊ The Group's Attributable Net Profit amounted to €56.5 million in the first half of 2017, 3.1% more than in the same period of 2016, which included a number of significant non-recurring positive items. It is worth noting that the attributable net profit in 2016 included haircuts in FCC Group and Realia debts, the collection of an extraordinary dividend in energy and the sale of Malaga Metro. Adjusted for these positive effects in 2016, the attributable net profit improved in over €92 million in this first half, compared to the same period last year. Additionally, in the second quarter alone, earnings increased by a notable 64% with respect to the first quarter.

◊ Consolidated revenues amounted to €2,789.4 million, 3.4% less than in the same period of 2016. This decline was due entirely to the deconsolidation of Giant (cement business in the US) since November 2016, and to the euro's strength against most of the other currencies in which the Group operates. Adjusting for both effects, FCC Group revenues would have increased by +2.1% year-on-year in the first half of 2017.

◊ Group EBITDA increased slightly, by +0.4%, to €376 million in the first half, compared with €374.6 million in the same period of 2016. Adjusting for the aforementioned effects in revenues, EBITDA would have increased by 4.8%. The EBITDA margin increased to 13.5%, compared with 13% in the same period of 2016. This EBITDA performance reflects a policy of focusing on the most profitable operations, improving support costs (-23% year-on-year), achieving synergies, and the productivity enhancement measures.

◊ Net financial expenses declined by -9.1% to €109.5 million in the period, even though the 2016 figure included a positive contribution of €58 million as a result of refinancing transactions. Excluding that effect, the reduction would have been 38.6%. Additionally, this item barely reflects the impact of the refinancing arranged by the Group parent company on 8th June.

◊ The Group's net interest-bearing debt amounted to €3,913.3 million at 30 June 2017, a reduction of -11.1% year-on-year. Net debt increased by €322.4 million in the first half vs December 2016. This is due mainly to a seasonal increase in working capital that is normal in the first half of the year and to the €56.1 million paid to buy out minority shareholders in the Cement area in last February.

KEY FIGURES

(M€)	**Jun. 17**	**Jun. 16**	**Chg. (%)**
Net sales	2,789.4	2,887.7	-3.4%
EBITDA	376.0	374.6	0.4%
EBITDA margin	*13.5%*	*13.0%*	*0.5 p.p.*
EBIT	187.0	121.4	54.0%
EBIT margin	*6.7%*	*4.2%*	*2.5 p.p.*
Income attributable to equity holders of the parent company	56.5	54.8	3.1%
Net financial debt	3,913.3	4,403.8	-11.1%
Backlog	30,135.2	31,497.3	-4.3%

Citizen Services

3. SUMMARY BY BUSINESS AREA

Area	Jun. 17	Jun. 16	Chg. (%)	% of 2017 total	% of 2016 total
(M€)					
REVENUES BY BUSINESS AREA					
Environment	1,347.0	1,367.0	-1.5%	48.3%	47.4%
Water	486.0	480.8	1.1%	17.4%	16.7%
Construction	769.1	740.6	3.8%	27.6%	25.7%
Cement	174.0	284.1	-38.8%	6.2%	9.8%
Corp. services and adjust.	13.3	15.2	-12.4%	0.5%	0.5%
Total	**2,789.4**	**2,887.7**	**-3.4%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	1,535.7	1,477.8	3.9%	55.1%	51.2%
United Kingdom	387.0	456.0	-15.1%	13.9%	15.8%
Middle East & N. Africa	317.3	362.1	-12.4%	11.4%	12.5%
Central Europe	273.6	245.0	11.7%	9.8%	8.5%
Latin America	171.8	142.3	20.7%	6.2%	4.9%
US and Canada	29.8	134.1	-77.8%	1.1%	4.6%
Others	74.2	70.4	5.4%	2.7%	2.4%
Total	**2,789.4**	**2,887.7**	**-3.4%**	**100.0%**	**100.0%**
EBITDA*					
Environment	194.6	210.0	-7.3%	51.8%	56.1%
Water	110.1	105.5	4.4%	29.3%	28.2%
Construction	33.6	6.9	n/a	8.9%	1.8%
Cement	29.6	46.0	-35.7%	7.9%	12.3%
Corp. services and adjust.	8.1	6.2	31.2%	2.2%	1.6%
Total	**376.0**	**374.6**	**0.4%**	**100.0%**	**100.0%**
EBIT					
Environment	84.3	112.8	-25.3%	45.1%	92.9%
Water	67.3	61.5	9.4%	36.0%	50.7%
Construction	59.1	(64.7)	-191.3%	31.6%	-53.3%
Cement	11.6	13.8	-15.9%	6.2%	11.4%
Corp. services and adjust.	(35.3)	(2.0)	n/a	-18.9%	-1.6%
Total	**187.0**	**121.4**	**54.0%**	**100.0%**	**100.0%**

Area	Jun. 17	Dec. 16	Chg. (%)	% of 2017 total	% of 2016 total
NET DEBT					
With recourse	1,488.9	2,329.1	-36.1%	38.6%	64.9%
Without recourse					
Environment	399.7	439.0	-9.0%	10.2%	12.2%
Water	1,454.6	246.2	n/a	37.2%	6.9%
Construction	0.0	0.0	n/a	0.0%	0.0%
Cement	491.4	511.4	-3.9%	12.6%	14.2%
Corporate	78.7	65.2	20.7%	2.0%	1.8%
Total	**3,913.3**	**3,590.9**	**8.9%**	**100.0%**	**100.0%**
BACKLOG*					
Environment	10,869.9	11,151.7	-2.5%	36.1%	36.5%
Water	14,835.3	14,955.9	-0.8%	49.2%	48.9%
Construction	4,430.0	4,482.3	-1.2%	14.7%	14.7%
Total	**30,135.2**	**30,589.9**	**-1.5%**	**100.0%**	**100.0%**

** See page 25 for a definition of the calculation in accordance with ESMA rules (2015/1415en).*

NOTE: Cement area in 2017 does not include US Cement business,deconsolidated as of 1st November 2016

4. INCOME STATEMENT

(M€)	**Jun. 17**	**Jun. 16**	**Chg. (%)**
Net sales	**2,789.4**	**2,887.7**	**-3.4%**
EBITDA	**376.0**	**374.6**	**0.4%**
EBITDA margin	*13.5%*	*13.0%*	*0.5 p.p.*
Depreciation and amortisation	(185.0)	(203.7)	-9.2%
Other operating income	(3.9)	(49.5)	-92.1%
EBIT	**187.0**	**121.4**	**54.0%**
EBIT margin	*6.7%*	*4.2%*	*2.5 p.p.*
Financial income	(109.5)	(120.4)	-9.1%
Other financial results	(12.5)	3.4	n/a
Equity-accounted affiliates	13.6	72.8	-81.3%
Earnings before taxes (EBT) from continuing operations	**78.6**	**77.2**	**1.8%**
Corporate income tax expense	(21.3)	(17.7)	20.3%
Income from continuing operations	**57.4**	**59.5**	**-3.5%**
Income from discontinued operations	0.0	(7.3)	-100.0%
Net income	**57.4**	**52.3**	**9.8%**
Non-controlling interests	(0.8)	2.5	-132.0%
Income attributable to equity holders of the parent company	**56.5**	**54.8**	**3.1%**

4.1 Net sales

The Group's consolidated revenues declined by 3.4% in the first half to €2,789.4 million, as a result mainly of deconsolidating the US cement business in November 2016 and, to a lesser extent, of the depreciation of certain currencies against the euro, principally the pound sterling (-9.5% in the first half with respect to the same period of 2016).Adjusting for both effects, consolidated revenues would have increased by 2.1%.

Revenues increased steadily in the Water area despite the decline in the Technology and Networks activity (waterworks design, engineering and equipment) caused by lower volumes in certain international projects. Environmental Services saw a slight decline in revenues due to the aforementioned negative exchange rate effect in the UK (€-38.7 million in the period), which was partly offset by greater activity by the UK recycling plants, new contracts in USA and increased activity in all Central European markets.

The Infrastructure area reported a 3.8% increase in Construction revenues due to expanded activity on projects in Spain and certain Latin American countries, including notably Panama and Peru, while the 38.8% decline in the Cement area is due broadly to deconsolidation of Giant in the US. Adjusting for changes in the consolidation scope, this area's revenues were similar to last year, combining an improvement in demand in Spain with a decline in cement sales in Tunisia and neighbouring markets.

Citizen Services

Revenue breakdown, by region			
(M€)	**Jun. 17**	**Jun. 16**	**Chg. (%)**
Spain	1,535.7	1,477.8	3.9%
United Kingdom	387.0	456.0	-15.1%
Middle East & North Africa	317.3	362.1	-12.4%
Central Europe	273.6	245.0	11.7%
Latin America	171.8	142.3	20.7%
US and Canada	29.8	134.1	-77.8%
Others	74.2	70.4	5.4%
Total	**2,789.4**	**2,887.7**	**-3.4%**

Revenues increased by 3.9% in Spain to €1,535.7 million, supported by balanced growth in all business areas. In particular, Cement registered a 9.9% increase due mainly to higher demand, while Construction expanded by 7.1%; both effects were attributable broadly to greater private sector activity. Revenues increased by 4.1% in Water and 2.1% in Environmental Services as a result of higher volumes in certain areas of water demand and the entry into service of a number of new contracts.

Latin America recovered, as revenues increased by 20.7% due to a larger contribution from certain railway projects such as Panama City Metro line 2 and Lima Metro. In the Water division, the Networks and Technology area completed a number of water projects in Chile and Uruguay.

Revenues in Central Europe expanded by a notable 11.7% due to increased activity in the Environmental Services division in most countries in the region, particularly the Czech Republic due to special winter contracts and, to a lesser extent, to more moderate growth in the other markets in the region.

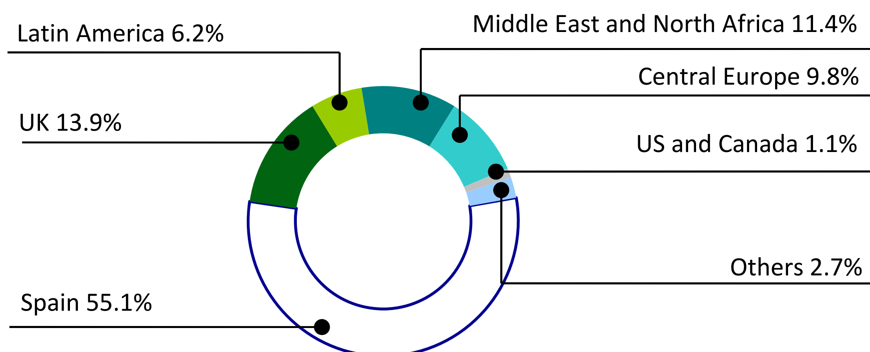
In the UK, the Group's second-largest geographical market, revenues declined by 15.1% due basically to the exchange rate effect, as sterling depreciated by 9.5% with respect to the same period of 2016. The decline was also due, to a lesser extent, to the reduction in landfill management revenues and in landfill tax collection for local authorities, which will be steadily offset by the higher revenue contribution from operating and developing recycling and energy-from-waste plants.

Revenues in the Middle East and North Africa declined due to adjusting the degree of progress with Riyadh Metro, in the Construction area, while in Tunisia, the domestic cement market shrank, the currency depreciated against the euro and exports to neighbouring countries declined.

In the United States and Canada, revenues declined 77.8% as a result of deconsolidating the parent company of the Cement business in that region in November 2016. Excluding that business, revenues in that region increased by 8.8% in like-for-like terms as a result of the entry into service of a number of waste collection and treatment contracts (Florida and Texas) in the Environmental Services area since mid-2016.

Revenues in Other markets increased by 5.4%, due basically to the start-up of a new industrial installation contract at Dublin airport (Ireland).

% Revenues by region



4.2 EBITDA

EBITDA amounted to €376 million in the period, a 0.4% increase year-on-year due to the effects discussed earlier in the context of revenues; adjusting for them, EBITDA would have increased by 4.8%. The increase in EBITDA was also driven by the Group-wide reduction in support and administration expenses into line with demand as well as efficiency measures and synergies. Overall, support expenses continued to decline, having fallen by 23% in the period.

EBITDA performance by business area was as follows:

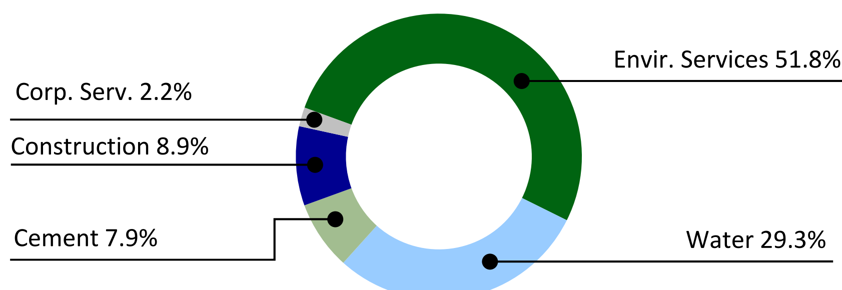
Environmental Services achieved €194.6 million in EBITDA in the first half, a 7.3% decline year-on-year. This reduction was due mainly to the exchange rate effect (pound sterling and Egyptian pound), which had a €6.3 million impact, and the baseline effect of certain one-off items in 2016 (default interest and the Spanish tax on retail sale of hydrocarbons).

The Water area reported €110.1 million in EBITDA, 4.4% more than in the same period of 2016, supported by higher profitability in concessions, which improved the EBITDA margin to 22.7% in the period.

EBITDA in the Construction area amounted to €33.6 million, and the EBITDA margin stood at 4.4% in the first half of 2017, contrasting with 0.9% in the first half of 2016. This substantial improvement is due to higher revenues in the period and, mainly, to the sizeable reduction in support expenses, with the favourable effect of the adjustment made last year.

The main impact in Cement was the deconsolidation on 1 November 2016 of the Cement business in the US; that business ceased to contribute revenues and is now equity-accounted. This area's EBITDA declined by 35.7% to €29.6 million, as a result mainly of the elimination of the US contribution and, to a lesser extent, of operating performance in Tunisia, where sales declined and the Tunisian dinar depreciated sharply (-11.8%).

% EBITDA by Business Area



As a result of the aforementioned performance, and despite the higher contribution from Infrastructure-related activities, Environmental Services and Water accounted for 81% of Group EBITDA in the first half of 2017, compared with 19% from infrastructure construction and building.

4.3 EBIT

EBIT amounted to €187 million, a 54% increase with respect to the €121.4 million reported in the same period of 2016.The difference between years is due to the baseline effect of the €53.4 million extraordinary provision booked in May 2016 in the Construction area and to a 9.2% reduction in the asset depreciation charge because of two factors: the aforementioned deconsolidation in the Cement area, and a slight reduction in the depreciation charge taken on assets written up when they were acquired in the past.

4.4 Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations amounted to €78.6 million, due to EBIT performance and the effect of the following items:

4.4.1 Financial income

Net financial expenses declined by 9.1% year-on-year to €109.5 million in the first half. It is notable that the financial result in 2016 included the positive impact of reducing the Tranche B debt by €58 million through a Dutch auction in April 2016. Excluding that effect, net financial expenses declined by 38.6% due to the progressive impact of measures taken to reduce indebtedness and the related interest expenses. The positive effects of all the financial optimisation measures, particularly the novation of the parent company's syndicated loan and the bonds issued by FCC Aqualia in June, will become visible progressively in the coming months.

4.4.2 Other financial results

This item amounted to €-12.5 million, contrasting with €3.4 million in the same period of 2016. The difference between years is due to higher exchange differences this year and to the €13.8 million gain on the sale of 10% of Malaga Metro in the first half of 2016.

4.4.3 Equity-accounted affiliates

Companies carried by the equity method contributed €13.6 million to earnings in the first half, as a result of the positive ordinary contribution by affiliates in the Water, Environmental Services and transport concession businesses, offset by losses in the Cement business in the US (Giant Cement — equity-accounted). This contrasts with the €72.8 million recognised in 2016, which included the €41.9 million haircut agreed upon with Realia's lenders and €16.4 million in dividends from a holding in a renewable energy company.

4.5 Income attributable to equity holders of the parent company

Net attributable income in 1H17 amounted to €56.5 million, 3.1% more than the €54.8 million booked in the same period of 2016. This was the result of incorporating the following items into EBT:

4.5.1 Income tax

The corporate income tax expense amounted to €21.3 million, contrasting with €17.7 million the previous year, which included a larger tax credit in the Cement division (€2.4 million).

4.5.2 Income from discontinued operations

Discontinued operations contributed zero in the first half of 2017, contrasting with a loss of €-7.3 million in the same period of 2016, corresponding to the impact of the sale of GVI (mainly because of the cancellation of the related financial instruments).

4.5.3 Non-controlling interests

Non-controlling interests were attributed a profit of €0.8 million in the first half of 2017, contrasting with a loss of €-2.5 million in 2016. The improvement was due mainly to better performance in the Cement area.

Citizen Services

5. BALANCE SHEET

(M€)	**Jun. 17**	**Dec. 16**	**Change (M€)**
Intangible assets	2,536.2	2,536.3	(0.1)
Property, plant and equipment	2,454.1	2,534.6	(80.5)
Equity-accounted affiliates	684.5	669.0	15.5
Non-current financial assets	335.7	322.3	13.4
Deferred tax assets and other non-current assets	951.1	946.6	4.5
Non-current assets	**6,961.5**	**7,008.7**	**(47.2)**
Non-current assets available for sale	14.9	14.9	0.0
Inventories	583.9	581.6	2.3
Trade and other accounts receivable	1,868.4	1,754.7	113.7
Other current financial assets	132.9	263.7	(130.8)
Cash and cash equivalents	970.5	1,146.1	(175.6)
Current assets	**3,570.6**	**3,761.1**	**(190.5)**
TOTAL ASSETS	**10,532.1**	**10,769.8**	**(237.7)**
Equity attributable to equity holders of parent company	857.7	791.3	66.4
Non-controlling interests	78.0	145.5	(67.5)
Net equity	**935.7**	**936.8**	**(1.1)**
Grants	240.6	225.5	15.1
Non-current provisions	1,137.1	1,175.6	(38.5)
Long-term interest-bearing debt	4,840.5	4,590.1	250.4
Other non-current financial liabilities	65.7	69.2	(3.5)
Deferred tax liabilities and other non-current liabilities	523.1	535.3	(12.2)
Non-current liabilities	**6,807.0**	**6,595.6**	**211.4**
Liabilities linked to non-current assets available for sale	14.9	14.9	0.0
Non-current provisions	183.0	202.9	(19.9)
Short-term interest-bearing debt	176.2	411.0	(234.8)
Other current financial liabilities	97.8	82.2	15.6
Trade and other accounts payable	2,317.6	2,526.3	(208.7)
Current liabilities	**2,789.4**	**3,237.3**	**(447.9)**
TOTAL LIABILITIES	**10,532.1**	**10,769.8**	**(237.7)**

Citizen Services

5.1 Equity-accounted affiliates

The investment in equity-accounted companies (€684.5 million) comprised the following at 30 June 2017:

1) €208.7 million for the 36.9% stake in Realia.
2) €75.6 million for investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).
3) €77.5 million for holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).
4) €42.8 million for the 45% stake in Giant Cement Holding, the parent company of the Cement division in the US, which is now equity-accounted, whereas it was fully consolidated through November 2016.
5) €279.9 million for other holdings (transport infrastructure concessions and renewable energy companies) and loans to affiliated companies.

5.2 Non-current assets and liabilities available for sale

The balance of €14.9 million in non-current assets available for sale at the end of the first half was unchanged and related entirely to the residual business of Cemusa in Portugal. Those assets had associated liabilities for the same amount: €14.9 million.

5.3 Cash and cash equivalents

Cash and cash equivalents amounted to €970.5 million at the end of the first half, 15.3% less than the balance at 2016 year-end due to the seasonal increase in working capital that takes place in the first half every year.

5.4 Net equity

Net equity amounted to €935.7 million at the end of June 2017, in line with the amount at 2016 year-end, although the amount corresponding to non-controlling interests decreased by €67.5 million mainly due to buying out most of the minority interests in the Cement division during the period.

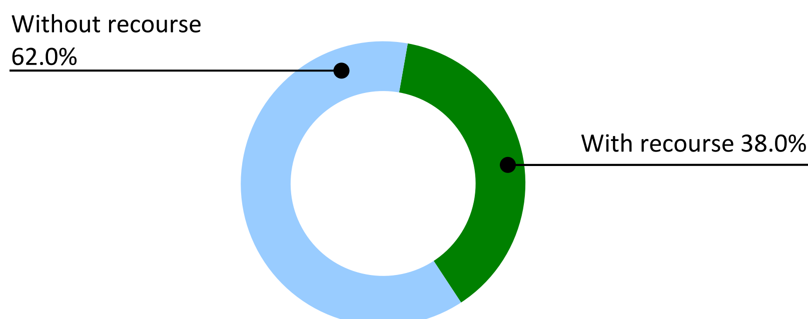
5.5 Net interest-bearing debt

(M€)	**Jun. 17**	**Dec. 16**	**Change (M€)**
Bank borrowings	3,231.8	4,536.1	(1,304.3)
Debt instruments and other loans	1,584.0	232.4	1,351.6
Accounts payable due to financial leases	47.3	49.4	(2.1)
Derivatives and other financial liabilities	153.6	183.1	(29.5)
Gross interest-bearing debt	**5,016.7**	**5,001.1**	**15.6**
Cash and other current financial assets	(1,103.4)	(1,410.1)	306.7
Net interest-bearing debt	**3,913.3**	**3,590.9**	**322.4**
With recourse	*1,488.9*	*2,329.1*	*(840.2)*
Without recourse	*2,424.4*	*1,261.8*	*1,162.6*

At the end of 1H17, net interest-bearing debt amounted to €3,913.3 million, €322.4 million more than at 2016 year-end. This increase was the result of several factors, including notably: A €232.1 million increase in working capital, which is a normal trend in the first half every year and tends to reverse in the second half, and the €56.1 million spent in February to buy out most of the non-controlling interests in the parent company of the Cement area.

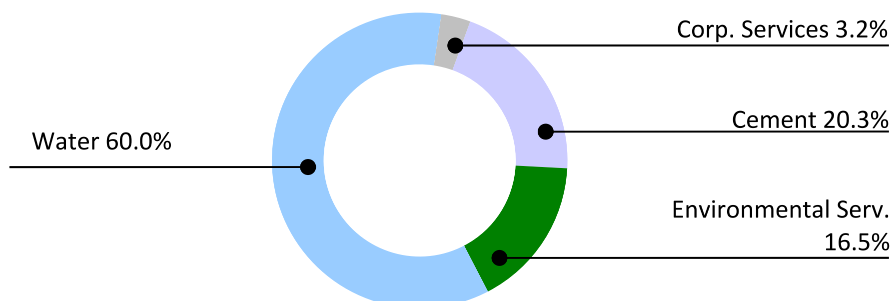
Gross interest-bearing debt, which is the basis of the financial expenses, was practically unchanged at €5,016.7 million.

Debt with and without recourse



Net financial debt is divided between corporate debt (38%) and debt without recourse (62%). Net debt with recourse includes mainly legacy debt from the acquisition of a number of operating companies in various areas (excluding Cement) which is structured mostly as a syndicated loan. The reduction in this item with respect to 2016 year-end is due to the early partial repayment of €1,100 million using funds from the FCC Aqualia bond issue in June.

Net debt without recourse, by area



Net interest-bearing debt without recourse to the Group parent company amounted to €2,424.4 million at the end of the first half and included the two FCC Aqualia bonds totalling €1,350 million that were issued in the international capital markets in June. As a result, Water is now the division with the largest amount of non-recourse net debt (€1,454.6 million), including not only the aforementioned bonds but also €176.7 million attributable to the business in the Czech Republic and the other end-to-end water concessions mainly in Spain. The Cement area accounts for €491.4 million, while Environmental Services accounts for €399.7 million (€310.4 million in connection with UK activities, €67 million related to Central Europe, and the remainder to other waste treatment and recycling plants in Spain and Portugal). The €78.8 million at parent company level is the net project debt of the concession companies for the Coatzacoalcos 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 €163.5 million at the end of the first half. 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. 17	Jun. 16	Chg. (%)
EBITDA	**376.0**	**374.6**	**0.4%**
(Increase)/decrease in working capital	(232.1)	1.1	n/a
Income tax (paid)/received	(29.0)	(26.8)	8.2%
Other operating cash flow	(4.2)	(24.1)	-82.6%
Operating cash flow	**110.7**	**324.8**	-65.9%
Investment payments	(150.3)	(207.8)	-27.7%
Divestment receipts	152.7	203.4	-24.9%
Other investing cash flow	(5.5)	21.4	-125.7%
Investing cash flow	**(3.1)**	**17.0**	**-118.2%**
Interest paid	(143.3)	(157.8)	-9.2%
(Payment)/receipt of financial liabilities	(30.0)	(697.2)	-95.7%
Other financing cash flow	(90.5)	706.8	-112.8%
Financing cash flow	**(263.8)**	**(148.2)**	**78.0%**
Exchange differences, change in consolidation scope, etc.	(19.3)	(27.5)	-29.8%
Increase/(decrease) in cash and cash equivalents	**(175.6)**	**166.1**	**n/a**

6.1 Operating cash flow

Operating cash flow amounted to €110.7 million in the first half, i.e. €214.1 million less than in the same period of 2016, despite a substantial improvement in cash conversion, as a result of the increase in working capital in the first half of 2017.

(M€)	Jun. 17	Jun. 16	Change (M€)
Environment	(73.5)	192.1	(265.6)
Water	(8.7)	3.9	(12.6)
Construction	(140.8)	(129.4)	(11.4)
Cement	6.9	(7.6)	14.5
Corporate services and adjustments	(16.0)	(57.9)	41.9
(Increase)/decrease in working capital	**(232.1)**	**1.1**	**(233.2)**

The Environmental Services area accounts for most of the inter-year change in working capital, basically due to the positive baseline effect of the early receipt in 2016 of €156.2 million for delivery of the waste incinerator in Buckinghamshire, UK. The variation in working capital in 2017 also includes the change in the balance of non-recourse debt factoring in the amount of €181.4 million in the first half of 2017, compared with €14.2 million in the same period of 2016; this reduction is attributable to the process of reducing and optimising the Group's funding costs.

Other operating cash flow refers mainly to the application of provisions in all business areas; this item declined year-on-year due to the lower need to release provisions, mainly in the Construction area.

6.2 Investing cash flow

Investing cash flow amounted to €-3.1 million, compared with €17 million in 2016.

Investment payments in the first six months of 2017 amounted to €150.3 million, i.e. €57.5 million less than in the same period of 2016, mainly because of the Realia €89 million capital increase in the first quarter of 2016, for which FCC subscribed €32.9 million, in proportion to its 36.9% stake. All divisions made efforts to contain capital expenditure, particularly the most capital-intensive areas, namely Environmental Services and Water.

Divestment receipts declined to €152.7 million, from €203.4 million in 2016. This is due to the combination of divestments. Some of the main items were in Corporate Services, i.e. the second payment for the sale of GVI, amounting to €106.4 million, and the sale of the company's 3.4% stake in Xfera for 29.1 million.

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

(M€)	**Jun. 17**	**Jun. 16**	**Change (M€)**
Environment	81.9	27.4	54.5
Water	31.7	29.9	1.8
Construction	7.9	26.7	(18.8)
Cement	0.6	6.4	(5.8)
Corporate services and adjustments	(124.5)	(86.0)	(38.5)
Net investments *(Payments - Receipts)*	**(2.4)**	**4.4**	**(6.8)**

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

6.3 Financing cash flow

Consolidated financing cash flow amounted to €263.8 million in the period, compared with €148.2 million the previous year. Interest payments were reduced by 9.2% year-on-year to €143.3 million; the steady decline in this item will accelerate as the funding optimisation measures adopted in the last quarter take effect.

The (payment)/receipt of financial liabilities item reflects the net effect of early repayment of a material amount of the Group parent company's syndicated loan using funds from the two bonds issued by FCC Aqualia in June, which amounted to a combined €1,350 million.

Other financing cash flow includes an outflow of €56.1 million in February to settle FCC's delisting bid for Cementos Portland Valderrivas, in which it increased its stake to 96% as of 30th June last.

6.4 Exchange differences, change in consolidation scope, etc.

This item reflects a negative variation of €19.3 million in 2017, compared with a negative €27.5 million in 2016. The negative trend is attributable to the effect of exchange rate fluctuations on the cash balance, which was due to the euro's strength and as concentrated in the Construction area and, to a lesser extent, the Environmental Services area.

6.5 Variation in cash and cash equivalents

Combining the foregoing cash flows, the Group's cash position was reduced by €175.6 million with respect to 2016 year-end, to €970.5 million at 30 June 2017.

7. BUSINESS PERFORMANCE

7.1. Environment

The Environmental Services area accounted for 51.8% of Group EBITDA. A total of 95% 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 5% corresponds to industrial waste collection and management.

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

7.1.1. Results

(M€)	**Jun. 17**	**Jun. 16**	**Chg. (%)**
Revenues	1,347.0	1,367.0	-1.5%
Environment	*1,279.0*	*1,303.0*	*-1.8%*
Industrial Waste	*68.0*	*64.0*	*6.3%*
EBITDA	194.6	210.0	-7.3%
EBITDA margin	14.4%	15.4%	*-0.9 p.p.*
EBIT	84.3	112.8	-25.3%
EBIT margin	6.3%	8.3%	*-2.0 p.p.*

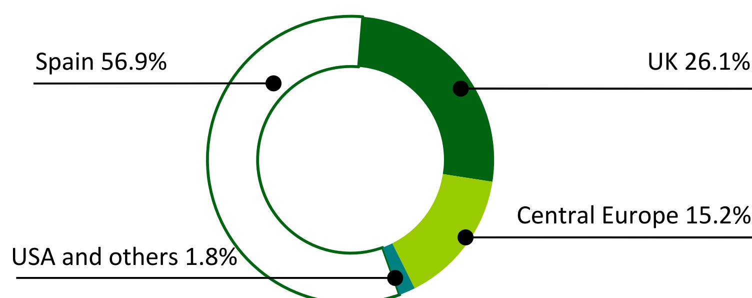
Revenues in the Environmental Services area totalled €1,347 million in the first half of 2017, 1.5% less than in the same period of 2016, due to the depreciation of the pound sterling and the Egyptian pound. Excluding that effect, revenues would have increased by 1.6%.

Revenue breakdown, by region			
(M€)	**Jun. 17**	**Jun. 16**	**Chg. (%)**
Spain	766.7	750.8	2.1%
United Kingdom	351.5	408.4	-13.9%
Central Europe	204.9	185.6	10.4%
USA and others	23.9	22.2	7.7%
Total	**1,347.0**	**1,367.0**	**-1.5%**

Revenues in Spain amounted to €766.7 million, a 2.1% increase year-on-year, while revenues in the UK fell 13.9% to €351.5 million, as a result mainly of sterling's depreciation (-9.5%) and, to a lesser extent, of the smaller contribution from the landfill business, which is being wound down and replaced by treatment, recycling and energy-from-waste plants.

Revenues in Central Europe increased by 10.4% to €204.9 million, mainly due to a larger volume of winter business in the Czech Republic and a general increase in business in the other countries in the region, including notably Austria, Hungary and Romania. Revenues in the USA and other markets increased by 7.7% due to the contribution from new waste management contracts becoming operational in Texas and Florida, which amply offset the negative effect of the Egyptian pound's 51.4% depreciation year-on-year.

Revenue breakdown, by region



EBITDA amounted to €194.6 million, a 7.3% reduction year-on-year, affected by sterling's depreciation (-9.5%, equivalent to €5.4 million), higher energy costs, and the baseline effect of certain one-off items booked in 2016 (default interest and the Spanish tax on the retail sale of hydrocarbons). The decline in operating margin was also partly due to the larger proportion of revenues from the development of the Edinburgh and Midlothian incinerator, which commenced at the end of last year.

EBIT declined by 25.3% year-on-year to €84.3 million due to extraordinary expenses booked in connection with the entire adjustment resulting from the sale of industrial waste management assets in the US in 2014.

Backlog breakdown, by region

(M€)	**Jun. 17**	**Dec. 16**	**Chg. (%)**
Spain	6,380.4	6,663.9	-4.3%
International	4,489.5	4,487.8	0.0%
Total	**10,869.9**	**11,151.7**	**-2.5%**

The area's backlog declined by 2.5% with respect to 2016 year-end. The backlog in Spain declined by 4.3% due to the delay in the award of certain contracts, while the international backlog was practically stable despite sterling's depreciation against the euro. The total backlog amounts to over 4 times revenues in the last twelve months.

7.1.2. Financial debt

(M€)	**Jun. 17**	**Dec. 16**	**Change (M€)**
Without recourse	399.7	439.0	(39.3)

The area's net interest-bearing debt without recourse declined by €39.3 million in the period. Of the total outstanding debt, €310.4 million relates to the UK, €67 million to Central Europe and the remaining €22.3 million to waste treatment and recycling plants in Spain and Portugal.

7.2. Water Management

The Water area accounted for 29.3% of FCC Group EBITDA in the period. Public concessions and end-to-end water management (capture, potabilisation, distribution and sanitation) account for 91.1% of total revenues, and Technology and Networks (water infrastructure design, engineering and equipment) account for the other 8.9%.

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 presence in Italy and Portugal. FCC designs, equips and operates water treatment plants in Latin America, the Middle East and North Africa. Overall, FCC Aqualia supplies water and/or sewage treatment services to over 23 million people.

7.2.1 Earnings

(M€)	**Jun. 17**	**Jun. 16**	**Chg. (%)**
Revenues	486.0	480.8	1.1%
Concessions and services	*442.9*	*427.8*	3.5%
Technology and networks	*43.1*	*53.0*	-18.7%
EBITDA	110.1	105.5	4.4%
EBITDA margin	22.7%	21.9%	*0.7 p.p.*
EBIT	67.3	61.5	9.4%
EBIT margin	13.8%	12.8%	*1.1 p.p.*

This area's revenues amounted to €486 million, a 1.1% increase on the same period of 2016, due to the increase in revenues from concessions and services in a range of markets, principally Spain, which was partly offset by a reduction in the technology and networks business, mainly in the international arena.

Revenue breakdown, by region

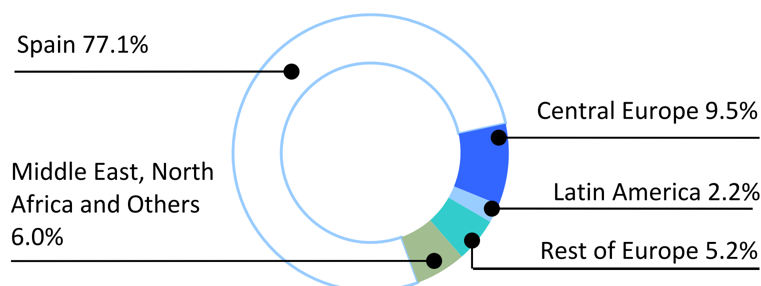
(M€)	**Jun. 17**	**Jun. 16**	**Chg. (%)**
Spain	374.8	360.2	4.1%
Central Europe	46.4	44.6	4.0%
Latin America	10.7	20.9	-48.8%
Rest of Europe (Portugal and Italy)	25.4	26.9	-5.6%
Middle East, North Africa and Others	28.7	28.2	1.8%
Total	**486.0**	**480.8**	**1.1%**

As discussed in the preceding section, revenues in Spain increased by 4.1% due basically to growth in the concession business.

On the international front, revenues declined in Latin America as a result of a slower pace of project execution as several technology and network contracts, basically in Chile and Uruguay, entered the final phase or were concluded. This decline was offset by growth in revenues in the Middle East and North Africa due to the faster pace of work on the treatment plant in Djerba (Tunisia).

Revenues in the Rest of Europe fell by 5.6% as a result of a smaller volume of extraordinary work in the Acque di Caltanissetta concession in Italy.

Revenue breakdown, by region



EBITDA increased by 4.4% year-on-year, to €110.1 million, favoured by the increase in the EBITDA margin to 22.7%. That performance was driven fundamentally by the increase in the contribution by businesses whose margins are higher than those of technology and networks.

Backlog breakdown, by region

(M€)	**Jun. 17**	**Dec. 16**	**Chg. (%)**
Spain	8,490.7	8,753.0	-3.0%
International	6,344.6	6,202.9	2.3%
Total	**14,835.3**	**14,955.9**	**-0.8%**

The backlog shrank by 0.8% with respect to 2016 year-end, to €14,835.3 million, due to a slight decline in Spain. Despite this reduction, the area's backlog is close to 15 times revenues in the last twelve months.

7.2.2. Financial debt

(M€)	**Jun. 17**	**Dec. 16**	**Change (M€)**
Without recourse	1,454.6	246.2	1,208.4

Net debt, all of which is without recourse to the Group parent company, increased sharply with respect to 2016 year-end, to €1,454.6 million. This notable increase is due to the issuance on 8 June of two bonds by the area's parent company, at 5 and 10 years, for a combined €1,350 million. With this new funding raised in the market, all the area's funding is without recourse to the Group parent company and is independent of the rest of the Group. The bond issue also made it possible to adapt the long-term capital structure in line with the area's nature and cash flow.
In addition to those bonds, the area's net debt at the end of the period also included €176.7 million related to the business in the Czech Republic, and the other €63.3 million is connected to an end-to-end water concession in Spain (Aquajerez).

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. 17**	**Jun. 16**	**Chg. (%)**
Revenues	769.1	740.6	3.8%
EBITDA	33.6	6.9	n/a
EBITDA margin	*4.4%*	*0.9%*	*3.4 p.p.*
EBIT	59.1	(64.7)	-191.3%
EBIT margin	*7.7%*	*-8.7%*	*16.4 p.p.*

This area's revenues maintained the growth trend observed in the first quarter, rising by 3.8% in the first half to €769.1 million due to an overall improvement in international and domestic operations.

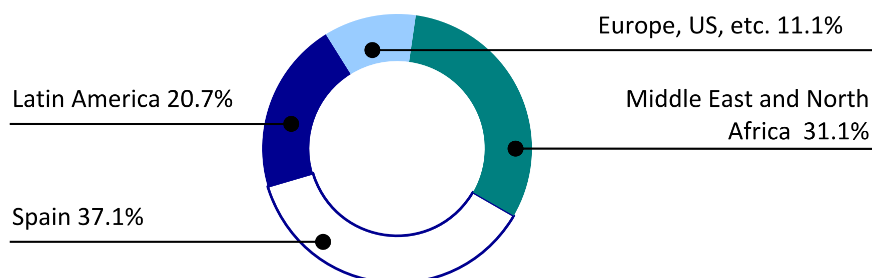
Revenue breakdown, by region			
(M€)	**Jun. 17**	**Jun. 16**	**Chg. (%)**
Spain	285.4	266.6	7.1%
Middle East and North Africa	239.2	267.6	-10.6%
Latin America	159.2	117.5	35.5%
Europe, US, etc.	85.3	88.9	-4.0%
Total	**769.1**	**740.6**	**3.8%**

Revenues in Spain increased by 7.1% due broadly to greater progress with ongoing projects for private sector customers, which amply offset the persisting adverse situation of scant activity and public investment in infrastructure.

Revenues in the Middle East and North Africa fell by 10.6% due mainly to a readjustment of the degree of progress with the Riyadh Metro in Saudi Arabia. That decline was offset by 35.5% year-on-year growth in revenues in Latin America, attributable mainly to the larger contribution by Panama City Metro line 2 and, to a lesser extent, to Lima Metro (Peru).

Revenues in Europe, the US and other markets declined by 4% due to the smaller contribution from projects that have been completed or are nearing completion in the UK, Finland and the USA, which were not fully offset by new projects in other markets, including notably the project to upgrade aircraft fuelling facilities at Dublin airport (Ireland) and railway projects in Romania.

Revenue breakdown, by region



EBITDA amounted to €33.6 million, a sharp increase with respect to the €6.9 million registered in the same period of 2016, which was due mainly to recognition of losses on certain international projects and of provisions for taxes. This substantial improvement is also attributable to a sharp reduction in structural expenses achieved through the adjustments implemented in 2016.

EBIT amounted to €59.1 million, contrasting with a loss of €64.7 million in the first half of 2016, which included a €53.4 million provision to adjust production resources to the decline in demand for infrastructure investment in Spain. But for this exceptional adjustment, EBIT would have increased by €47.8 million in the first half.

Backlog breakdown, by region

(M€)	**Jun. 17**	**Dec. 16**	**Chg. (%)**
Spain	1,015.0	1,038.7	-2.3%
International	3,415.0	3,443.6	-0.8%
Total	**4,430.0**	**4,482.3**	**-1.2%**

The area's backlog decreased slightly, by 1.2% with respect to 2016 year-end, to €4,430 million. The backlog in Spain shrank by 2.3% due to the persisting cutbacks in public investment in infrastructure, while the international backlog was 0.8% lower as it does not yet reflect the sizeable new railway contracts obtained in Romania.

Backlog breakdown, by business segment

(M€)	**Jun. 17**	**Dec. 16**	**Chg. (%)**
Civil engineering	3,428.9	3,467.2	-1.1%
Building	653.8	654.9	-0.2%
Industrial projects	347.3	360.2	-3.6%
Total	**4,430.0**	**4,482.3**	**-1.2%**

Civil engineering accounts for 77.4% of the total backlog, and building for 14.7%. Industrial contracts account for the remaining 7.8%.

FCC Citizen Services

7.4. Cement

The Cement area accounted for 7.9% of FCC Group EBITDA in the first half of 2017, through the 96% stake in Cementos Portland Valderrivas (CPV). This area produces mainly cement; it has seven factories in Spain and one in Tunisia, as well as a 45% stake in Giant Cement, which has three cement factories on the Eastern Seaboard of the United States.

7.4.1. Results

(M€)	**Jun. 17**	**Jun. 16**	**Chg. (%)**
Revenues	174.0	284.1	-38.8%
Cement	158.0	254.0	*-37.8%*
Other	*16.0*	*30.1*	*-46.8%*
EBITDA	29.6	46.0	-35.7%
EBITDA margin	*17.0%*	*16.2%*	*0.8 p.p.*
EBIT	11.6	13.8	-15.9%
EBIT margin	*6.6%*	*4.9%*	*1.7 p.p.*

Revenues in this area shrank by 38.8% year-on-year to €174.0 million, mainly as a result of deconsolidating the US subsidiary, Giant Cement, in November 2016. But for that effect, revenues would have declined by 1.9%.

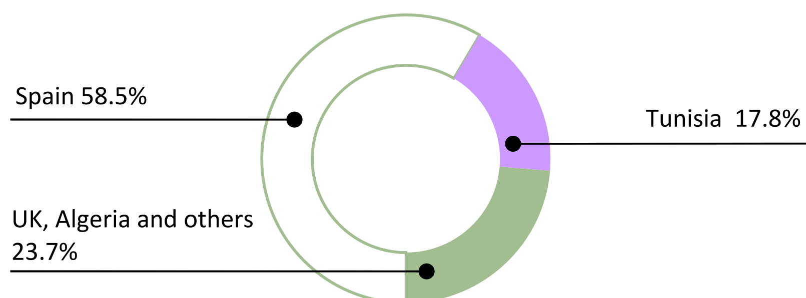
Revenue breakdown, by region

(M€)	**Jun. 17**	**Jun. 16**	**Chg. (%)**
Spain	101.8	92.7	9.9%
US and Canada	0.0	106.7	-100.0%
Tunisia	30.9	38.3	-19.2%
UK and others	41.2	46.4	-11.2%
Total	**174.0**	**284.1**	**-38.8%**

Revenues in Spain increased by 9.9% due to the strong growth in cement volumes and a slight improvement in average selling prices, all driven by buoyant domestic demand for construction.

Revenues declined by 19.2% in Tunisia because of a combination of 11.8% year-on-year depreciation by the Tunisian dinar and a decline in domestic market volumes and prices and in exports to neighbouring countries.
Revenues from exports to the UK and other markets declined by 11.2% due particularly to sterling's 9.5% depreciation with respect to the same period of 2016 as well as to a slight reduction in prices. No revenues were recognised in the US or Canada in the period since the business in that region was deconsolidated in November 2016, as described in the preceding section.

Revenue breakdown, by region



EBITDA fell by 35.7% to €29.6 million, from €46 million in the same period of 2016. This difference is mainly due to the lack of a contribution from the US in 2017 and, to a lesser extent, to the decrease in volumes and prices in Tunisia in the first half of the year. As in 2016, no revenues for CO_2 rights sales were booked in EBITDA.

EBIT decreased 15.9% to 11.6 million, mainly due to lower EBITDA, partially offset by the 44.1% reduction in depreciation.

7.4.2. Financial debt

(M€)	**Jun. 17**	**Dec. 16**	**Change (M€)**
Without recourse	491.4	511.4	(20.0)

The area's net interest-bearing debt to third parties, which is entirely without recourse to the FCC Group parent company, consists mainly of a syndicated loan. The €20 million decline with respect to 2016 year-end is attributable to the repayment on maturity of a tranche of that funding coupled with an increase in cash and cash equivalents in the period.

8. SHARE DATA

8.1. Share performance

	Jan. – Jun. 2017	Jan. – Jun. 2016
Closing price (€)[1]	9.45	7.59
Change in the period	*25.16%*	*11.33%*
High (€)[1]	9.88	7.62
Low (€)[1]	7.55	6.03
Average daily trading (shares)	97,824	2,636,366
Average daily trading (M€)	0.8	19.0
Market cap. at end of period (M€)	3,580	2,875
No. of shares outstanding	378,825,506	378,825,506

[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 2017.

8.3. Own shares

At 30 June 2017, the FCC Group held a total of 381,529 own shares directly and indirectly (0.10% of the company's capital).

In line with the new regulations issued by the National Securities Market Commission (CNMV) with regard to liquidity contracts, 33,971 shares were sold in the second quarter to balance the positions of the new liquidity contract signed with GVC Gaesco Beka, Sociedad de Valores, S.A., which came into force on 11 July after cancellation of the previous contract, which had been suspended (regulatory disclosures 254411 and 254410, respectively).

Citizen Services

9. RISKS AND PROSPECTS FOR 2H 2017

The FCC Group operates in a wide variety of countries and sectors; consequently, its activities are subject to a diversity of socio-economic environments and regulatory frameworks. In this context, the FCC Group is exposed both to the risks inherent in its activities and to the risks associated with global economic and geopolitical developments.

To address this diverse and changing context, the FCC Group continues to work on its Risk Management System, which is integrated into the Group's Governance, Risk Management and Compliance strategy, based on coordination, cooperation and integration of these three pillars into the organisation's day-to-day performance with a view to achieving a reasonable degree of certainty as to the attainment of objectives, reliability of information, and regulatory compliance.

Details of the risks that affect the Group's activities, as well as the description of the systems used to manage and monitor them, are set out in section E of the Annual Corporate Governance Report and in the Consolidated Financial Statements.
To summarise, the main risk management activities carried out during the first half of 2017 include the regular update to the identification of critical risks in certain areas of activity (strategic, operational, financial, reporting and compliance risks).

The main risks that materialised during the first half of 2017 were the low level of investment and delays with the new contracts envisaged in Spain, as well as delays in the scheduling certain projects at international level.

The risks and opportunities facing the FCC Group during the second half of 2017 include:

Strategic risks:
Events in recent months, such as confirmation of Brexit, increased uncertainty in a number of countries in the Middle East and North Africa (Saudi Arabia, Qatar, Egypt, ...), uncertainties about world economic growth and the fact that Spain has a minority government, among other factors, present a future of challenges and opportunities that demand a competitive response to our customers' specific needs.

Uncertainty about the real impact of the UK's exit from the single market will not materialise until the exit agreement is negotiated. Despite the initial recessionary prospects, current forecasts show 1% economic growth in 2017, which would reinforce the FCC Group's commitment to new contracts in the United Kingdom, such as the Millerhill Midlothian Recycling and Energy Recovery Centre (Scotland).
Cutbacks in public investment and the growing imbalance between urban and rural areas will require a search for new forms of public-private partnerships for water supply, infrastructure development and the delivery of environmental services during the second half of 2017 and in future years; they offer growth opportunities for the FCC Group as a company focused on citizen services.

Financial risks:
Actions in recent months, such as FCC Aqualia bond issues and the new agreements with banks, have improved the Group's financial and liquidity situation, further lowering its funding costs and placing it in a stronger position to address emerging challenges.

The main financial risks to be managed by the FCC Group in the coming months are related particularly to changes in interest rates, for which natural hedges are sought whenever possible, and changes in exchange rates, because of the Group's operations in international markets.

The plans for monitoring these and other financial risks that the FCC Group faces in the second half of 2017 do not differ significantly from the control systems described in detail in the FCC Group's consolidated financial statements for 2016.

Operational risk:
Failure to make use of synergies between the business areas could result in a failure to take advantage of business opportunities and economies of scale, as well as lower bargaining power and less efficient organisational processes. The actions taken during 2016 and the first months of 2017 with the aim of working as

a single company made it possible to rationalise structures and reduce expenses. In the coming months, the FCC Group will continue to work in this direction to improve efficiency and operability.

At the same time, the great complexity of the projects in which the FCC Group is involved require a greater effort to identify and quantify the risks, from the study phase up to completion, so as to ensure that contracts are fulfilled on time, to specifications and profitably.

With regard to the business areas:

In Environmental Services, Spanish government agencies are expected to continue to contain capital expenditure and to break down large contracts into smaller components. New competitors, at both the domestic and international level, are increasing competitive tension, a factor that is partially offset by clients' higher quality requirements, which place the FCC Group in a position of strength due to its technical capabilities.

In the area of Water, the prospect of scant opportunities in new water investments is expected to be offset by the high rate of contract renewals and an increase in their profitability. A number of initiatives to re-municipalise services are not expected to succeed, given the legal framework governing the contracts. At an international level, water scarcity, the obsolescence of water infrastructure and the low penetration of private operators in the sector will generate sizeable opportunities for Aqualia in Latin America, unless there is additional economic turbulence. In North Africa and the Middle East, economic and political instability might influence the emergence of major opportunities for seawater desalination and sewage treatment.

In Construction, the 10.6% decline in public tenders for civil works and construction in Spain in the early months of the year is expected to be offset in the coming months by a slight increase in the real estate and commercial sector. Overmore, Central Administration has announced a €5 billion new investment concession plan in highways based on availability payments backed with european public funding, that will start in the second half of the year. In the international arena, delays in scheduling projects in Peru and other countries in the region could adversely affect the expected results, although this effect may be offset by the good prospects in Colombia, Panama and the US. With regard to Saudi Arabia, although new government projects might suffer delays during the second half of 2017, private sector projects are expected to increase.

As for Cement, despite the 10.8% increase in cement consumption in the first five months of the year in Spain, the recovery is limited and fluctuating. In addition, the uncertainty regarding the cost of electricity used for production may place exports at a competitive disadvantage. Outside Spain, the stagnation of the Tunisian market and the decline in exports to neighbouring countries, Algeria and Libya, may hamper earnings prospects. Projections of growth in cement consumption in the US vary, although there are good prospects of a sustained growth in the medium term.

Compliance risks:
The FCC Group's exposure to compliance risk derives from the range of sectors and geographies in which it operates, subject to differing regulations that are constantly changing. During the second half of 2017, the Group will focus on continuing to strengthen its capacity to adapt quickly to regulatory changes and integrate them into its production processes, mitigating the risk of non-compliance and reinforcing its commitment to promoting a culture of compliance, including notably the planned update of the Code of Ethics and Conduct.

Within Europe, corporate governance and data protection requirements and the new European directives, which will result in more stringent environmental demands, will be accompanied by new opportunities to play a prominent role in the circular economy.

Reporting risks:
The organisational and corporate complexity of a group such as FCC pose a challenge for integrating and managing information and using transversal computer systems, especially in projects undertaken in partnership with other companies. Progress with the Group's governance and the modernisation of information systems, which commenced in recent months and will continue, represent a further step in improving information for decision-making.

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, grants, net changes in provisions and other non-recurring revenues and expenses.

Backlog

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

As at any given date, 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 have already been recognised 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 the Environmental Services area, we recognize the backlog for our waste management contracts only when the relevant contract grants us exclusivity in the geographical area where the plant, landfill or other facility is located.

In our Water Business Area, we calculate initial backlog on the basis of the same long-term volume estimates that serve as the basis for our contracts with 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 the backlog as needed to reflect price and schedule changes that are agreed 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 2017, 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,

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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FCC Citizen Services

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