

FCC Medio Ambiente and Irizar agree to produce the first 10 ie urban electric trucks

1H2021 Earnings Report



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1. SIGNIFICANT EVENTS

FCC Medio Ambiente wins new contracts worth €400M in the United States

In May, Wellington City Council (Florida) approved the award of the 10-year contract worth 110 million euros to FCC Environmental Services for the collection of municipal solid waste, with a possible extension of an additional five years. Moreover, in June, Hillsborough City Council (also in Florida) awarded the company with the largest of the three contract lots over an 8-year period, worth 230 million euros, for the collection of residential and commercial solid waste, and with a possible extension of an additional four years. The contract also grants FCC the exclusive right to deliver the commercial waste collection service included in its lot, worth another 100 million euros. Therefore, the total backlog for this market exceeds 1 billion euros, with over 8 million inhabitants served, after 5 years of organic growth, turning the company into one of the 20 largest operators in the United States.

FCC Aqualia improves its credit rating to "Investment Grade"

In June, FCC Aqualia received recognition for the stability and strength of its water cycle management business, which can be clearly seen in its performance along last business year. As a result, Fitch Ratings has improved the company's credit rating to "Investment Grade". This improvement is a recognition for the high operational quality and solid financial profile of the main areas of the FCC Group, Water and Environment, which concentrate the use of third-party financing and are both rated as "Investment Grade", allowing the group to optimise its costs, maturity and useability.

FCC Medio Ambiente boosts its waste treatment activities in Spain

Valladolid City Council awarded a JV led by FCC Medio Ambiente with the contract for the design, development and operation of the household Waste Treatment and Disposal Centre, which will serve over half a million inhabitants. The contract backlog is worth over 110 million euros and will be executed over an 11-year period. It is expected to start operating by the end of next year.

The company expects to invest 45 million euros and will work on 5 different types of waste: organic, inorganic or remaining fraction, light containers, paper-cardboard and glass. The facility will have a capacity to process 212,500 tons per year and will have classification lines, a biomethanisation plant, composting area, closed reactor used to treat the remaining fraction, a building for large waste, a treatment plant for the leachates generated at the facility and a cogeneration area, as well as a final tank for non-recyclable materials, among other systems.

It is worth mentioning the automated treatment and classification lines, the new closed and automatic aerobic treatment system for the remaining fraction (capacity for 55,000 tons/year), the construction of the two new compost and bio-stabilised material refining lines, the latter featuring a system for the automatic recovery of glass and a new treatment process for leachates generated, with an atmospheric evaporation system and use of the heat generated by the biogas motors. This project is part of FCC Medioambiente's sustainability strategy, which presented its main long-term lines of action this year. The new Valladolid complex will allow the energy consumed to be produced at the biogas cogeneration plant, which processes the biogas extracted from the rejections tank and from the biomethanisation process. In addition, a series of systems and improvements will be implemented to treat the air generated in the complex, also installing an R&D centre, which will manage rejection reduction research or leachate processing projects, among others.

FCC Construcción strengthens its portfolio in Chile and wins the European PPP "Deal of the Year" award for the A465 project in Wales

The project awarded in Chile involves building the Industrial Bridge in Concepción. The contract is worth over 125 million euros and will have a 32-month execution period.

Moreover, during the first quarter of the year, the A465 motorway expansion project in the United Kingdom received the "European Project of the Year" award. PFI recognised the magnitude and importance of the project to be undertaken as it is needed to improve mobility and connectivity in Wales and also to reactivate the local economy.

FCC completes the sale of certain infrastructure concessions and strengthens its financial structure

During the first half of the year, FCC completed the sale of different infrastructure concessions in Spain, signifying the transfer of the 51% stake held in the Cedinsa road group, the 49% stake held in the Ceal 9 suburban line and the 29% stake in Urbicsa. The proceeds obtained from the sale and the Group's performance in general, led to a substantial reduction in financial debt, down 7.5% on the close of the previous business year, further strengthening the FCC Group's financial soundness.

2. EXECUTIVE SUMMARY

KEY FIGURES

<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (%)
Net turnover (NT)	3,168.0	2,822.2	12.3%
Gross Operating Profit (EBITDA)	529.2	433.6	22.0%
<i>EBITDA Margin</i>	<i>16.7%</i>	<i>15.4%</i>	<i>1,3 p.p</i>
Net Operating Profit (EBIT)	323.3	187.9	72.1%
<i>EBIT Margin</i>	<i>10.2%</i>	<i>6.7%</i>	<i>3,5 p.p</i>
Income attributable to the parent company	232.5	75.9	206.3%

<i>(Millions of Euros)</i>	Jun. 21	Dec. 20	Chg. (%)
Equity	3,180.0	2,908.7	9.3%
Net financial debt	2,586.6	2,797.8	-7.5%
Backlog	30,993.4	29,411.7	5.4%

◇ In the first half of 2021, the FCC Group increased its income to 3,168 million euros, up 12.3% on the same period in 2020. This performance reflects the recovery of its business areas after some of the restriction measures imposed on March 2020 were lifted.

◇ Gross operating profit (EBITDA) was up 22%, to reach 529.2 million euros. This improvement is explained by the greater operating margins of all activities, up by 16.7%, with a noteworthy increase in the Construction and Cement activities.

◇ Attributable net income reached 232.5 million euros, more than twice as much as last year's figures. This increase includes both operating results and a positive performance of the exchange rate differences booked, totalling 11.3 million euros this year compared to a negative contribution of 27.2 million euros in 2020, as well as the results accounted for using the equity method at the close of the first quarter, for the completion of the sale of several transport concessions agreed last year.

◇ The Group's financial debt was 7.5% lower than at the end of the previous year, mainly due to the completion of the aforementioned sale of concessions, which allowed the Group to draw less on available financing and eliminate factoring. As a result, the net financial debt balance amounted to 2,586.6 million euros at the end of June.

◇ Equity totalled 3,180.0 million euros at the end of the first half of the year, 9.3% higher than the equity at the end of 2020, following a notable increase in net income.

◇ The Group's backlog stood at 30,993.4 million euros at the end of June 2021, up 5.4% on the balance at year-end 2020, highlighting the new contracts of the Environmental area.

3. SUMMARY BY BUSINESS AREA

(Millions of Euros)

Area	Jun. 21	Jun. 20	Chg. (%)	% of 2021 total	% of 2020 total
REVENUE BY BUSINESS AREA					
Environment	1,564.6	1,389.5	12.6%	49.4%	49.2%
Water	564.8	562.4	0.4%	17.8%	19.9%
Construction	768.2	675.3	13.8%	24.2%	23.9%
Cement	221.6	173.3	27.9%	7.0%	6.1%
Corporate serv. and others	48.8	21.7	124.9%	1.5%	0.8%
Total	3,168.0	2,822.2	12.3%	100.0%	100.0%
REVENUE BY GEOGRAPHICAL AREA					
Spain	1,878.7	1,689.4	11.2%	59.3%	59.9%
United Kingdom	392.3	322.5	21.6%	12.4%	11.4%
Rest of Europe and other	371.0	339.3	9.3%	11.7%	12.0%
Middle East & Africa	174.4	230.1	-24.2%	5.5%	8.2%
Latin America and USA	181.9	101.0	80.1%	5.7%	3.6%
Czech Republic	169.7	139.9	21.3%	5.4%	5.0%
Total	3,168.0	2,822.2	12.3%	100.0%	100.0%
EBITDA*					
Environment	248.1	214.6	15.6%	46.9%	49.5%
Water	134.2	125.6	6.8%	25.4%	29.0%
Construction	46.2	17.4	165.5%	8.7%	4.0%
Cement	48.4	26.0	86.2%	9.1%	6.0%
Corporate serv. and others	52.3	50.0	4.6%	9.9%	11.5%
Total	529.2	433.6	22.0%	100.0%	100.0%
OPERATING PROFIT/(LOSS)					
Environment	133.7	94.4	41.6%	41.4%	50.2%
Water	75.5	69.2	9.1%	23.4%	36.8%
Construction	32.3	0.7	N/A	10.0%	0.4%
Cement	32.7	9.4	247.9%	10.1%	5.0%
Corporate serv. and others	49.1	14.2	245.8%	15.2%	7.6%
Total	323.3	187.9	72.1%	100.0%	100.0%
NET FINANCIAL DEBT*					
Corporate					
With recourse	(234.8)	101.6	N/A	-9.1%	3.6%
Without recourse	12.4	14.7	-15.6%	0.5%	0.5%
Areas					
Environment	1,354.3	1,330.2	1.8%	52.4%	47.5%
Water	1,329.1	1,177.6	12.9%	51.4%	42.1%
Cement	125.5	173.7	-27.7%	4.9%	6.2%
Total	2,586.6	2,797.8	-7.5%	100.0%	100.0%
BACKLOG*					
Environment	10,619.8	9,184.3	15.6%	34.3%	31.2%
Water	15,426.5	15,025.9	2.7%	49.8%	51.1%
Construction	4,873.1	5,155.8	-5.5%	15.7%	17.5%
Real Estate	74.0	45.7	61.8%	0.2%	0.2%
Total	30,993.4	29,411.7	5.4%	100.0%	100.0%

* See page 27 for a definition of the calculation in accordance with ESMA rules (2015/1415en)

4. INCOME STATEMENT

<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (%)
Net turnover (NT)	3,168.0	2,822.2	12.3%
Gross Operating Profit (EBITDA)	529.2	433.6	22.0%
<i>EBITDA Margin</i>	<i>16.7%</i>	<i>15.4%</i>	<i>1,3 p.p</i>
Provision for amortisation of fixed and non-current assets	(222.5)	(252.4)	-11.8%
Other operating income	16.6	6.8	144.1%
Net Operating Profit (EBIT)	323.3	187.9	72.1%
<i>EBIT margin</i>	<i>10.2%</i>	<i>6.7%</i>	<i>3,5 p.p</i>
Financial income	(59.7)	(67.5)	-11.6%
Miscellaneous financial results	28.3	(27.3)	N/A
P/L of companies accounted for by the equity method	48.3	41.1	17.5%
Profit/(loss) before tax from continuing activities	340.3	134.3	153.4%
Company tax on profits	(67.0)	(32.0)	109.4%
Income from continuing operations	273.3	102.3	167.2%
Net Income	273.3	102.3	167.2%
Non-controlling interests	(40.8)	(26.4)	54.5%
Income attributable to the parent company	232.5	75.9	206.3%

4.1 Net Revenue

Consolidated revenues grew to 3,168 million euros in the first half of the year, up 12.3% on the previous year. The performance of all activities reflects, to varying degrees, the relative recovery after the partial lifting of the measures rolled out by governments around the world since mid-March 2020 in the wake of the COVID-19 pandemic. However, it is worth highlighting the greater improvement in those business areas that in relative terms were more affected by the drop in demand derived from the lockdown measures applied and mobility restrictions, notably in the Construction and Cement areas.

By business area, Environment reported an increase of 12.6%, thanks to the general recovery of its different operating platforms, in particular, with the new waste treatment and street cleaning contracts in Spain, waste collection contracts in the US and agreements governing all business activities in Central Europe.

Revenues at the Water unit were up by 0.4%, due to the recovery of the main concession activity, which compensated for the lower contribution made by the Technology and Networks business as a result of the slower pace of international project activities.

In Construction, revenues were up by 13.8% during the second quarter of the year, as progress was made on important international projects, especially in Europe, Mexico and Chile, while Spain reported a sustainable increase in activity throughout the period.

In the Cement area, revenues increased by 27.9%, mainly due to higher sale volumes in the local markets of Spain and Tunisia, reflecting the increase in consumption as compared with the drop in demand during the same period of the last business year, with an increase concentrated in the private sector.

Revenue breakdown by geographical area			
<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (%)
Spain	1,878.7	1,689.4	11.2%
United Kingdom	392.3	322.5	21.6%
Rest of Europe and other	371.0	339.3	9.3%
Middle East & Africa	174.4	230.1	-24.2%
Latin America and USA	181.9	101.0	80.1%
Czech Republic	169.7	139.9	21.3%
Total	3,168.0	2,822.2	12.3%

By geographical area, Spain represented 59.3% of revenues, increasing its contribution by up to 11.2% to 1,878.7 million euros. Environment reported growth of 8.9% following an increase in waste treatment activity and improved levels of business in road cleaning and winter care. Water activities recovered by 6.2%, mainly during the second quarter of the year, due to the relative recovery of the turnover in end-to-end cycle concessions and a more robust in water networks. Construction was up 12.1%, where the development of ongoing projects was higher than in the second quarter of last year. Likewise, the activity in the Cement area, which was affected by the implementation of the restriction measures during the first half of 2020, recovered progressively during 2021, with a 21% increase in revenues. On a final note, it is worth mentioning that the Concessions area (included under the heading of *Corporate Services and Other*, following completion of the sale of some of its most significant concessions at the end of March), only contributed to revenues during the first quarter of 2021, which was compensated by the good performance of real-estate developments, also included in this heading.

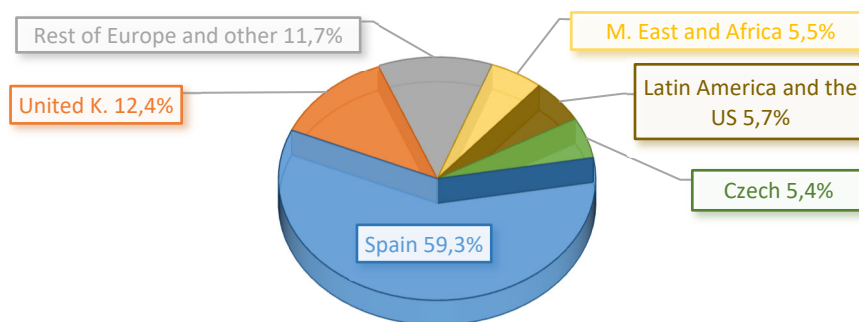
Revenues in the UK increased by 21.6% to 392.3 million euros, largely due to the start of several Construction contracts, in addition to the recovery of the municipal waste treatment plants activity.

Operations in the EU resulted in an acceleration of revenues, increasing by 9.3% during the period for Rest of Europe and other, worth 371 million euros. This is largely due to the increased revenues associated with the Waste treatment activity in Central Europe, in addition to a very stable performance in the countries in which the Water area operates. Moreover, the activity levels remain stable in the Construction area, since the highest contribution of contracts in progress in Belgium, the Netherlands and Norway offset the completion of other contracts (Ireland and Portugal). Likewise, the progress achieved in the Czech Republic is quite relevant when compared to operations in other EU regions, with a noteworthy 21.3% increase, totalling 169.7 million euros, and a higher increase in activity in the Environment area and a more moderate increase in the Water area.

The Middle East and Africa area witnessed a -24.2% decline in revenues to 174.4 million euros until June, mainly due to the lower contribution of contracts that have now been completed or are nearing completion at the Construction area, and to a lesser extent at Water, especially in Saudi Arabia and Egypt.

Revenues in Latin America and the US continue to contribute an additional 80.1%, up to 181.9 million euros, largely due to the execution progress of projects in Latin America in the Construction area, with higher levels of activity in Mexico and Chile. Colombia continues to increase the levels of activity in the execution of projects and concession activity in the Water area. In the United States, revenues concentrated in the Environment area and increased significantly, following the start-up of a new contract in Nebraska and another in Florida for municipal waste collection and green space services.

% revenue by geographical area



4.2 Gross Operating Profit (EBITDA)

The Gross Operating Profit for the period was 529.2 million euros, an increase of 22% compared to the previous year. This increase is due to an improvement in the operating margin across all areas, in addition to the increase in revenues mentioned above.

By business area, the most noteworthy developments have been:

The Environment area reached 248.1 million euros, a 15.6% increase, which is higher than the revenues rise and distributed across all activities of the value chain. The operating margin was higher than that achieved during the previous business year, thanks to the impact of higher treatment/recycling activity volumes and the increase in prices associated with recycled materials.

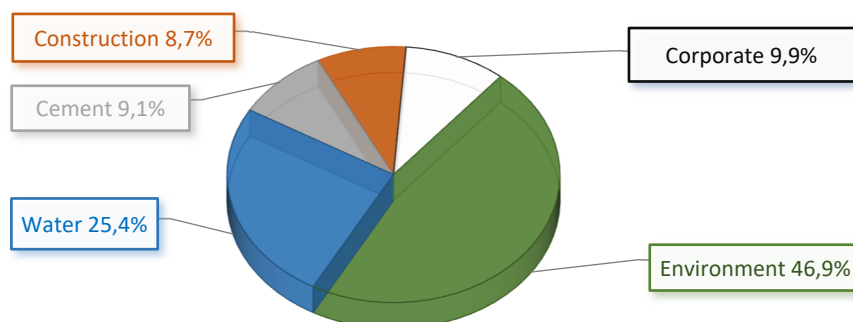
The Water area reported 134.2 million euros, up by 6.8% when compared to last year's figures, supported by an increased contribution from concessions and services, mainly in Spain and which offset the lower contribution made by the Technology and Networks segment internationally. Thus, the EBITDA margin outpaced its performance in the previous period to reach 23.8% in the first half of the year.

Moreover, the Construction area reported 46.2 million euros, up by 165.5% when compared to the first half of 2020, in line with the scheduled project backlog and with a substantial improvement in the recovery of the development pace with respect to last year's downtime.

Cement reported growth to reach 48.4 million euros, compared to 26 million euros in the previous year, reflecting both the increase in the volume of demand recorded in local and export markets and also the income of 7.8 million euros obtained from the sale of CO2 allowances, which had contributed nothing in 2020. This combination led to a significant increase in the gross operating margin to 21.8% in the period.

Note that the Corporate Services and Others heading includes Concessions activity, which was attached to the Cedinsa subgroup on a consolidated basis until 31 March. It also includes the revenues generated by the real-estate development activities via FCyC, the contribution of which compensated for the lower contribution of Cedinsa. Therefore, the Corporate Services' contribution remained stable, with 52.3 million euros, of which 25.6 million euros correspond to infrastructure concessions and 10 million euros to real-estate development activities.

% EBITDA by Business Area



The various utilities areas, Environment and Water, continued to make a considerable contribution to operating profit to reach 72.3% for the period, compared to a 27.7% contribution from those areas exposed to demand for the construction of infrastructure, buildings and other activities.

4.3 Net Operating Profit (EBIT)

Net operating profit came to 323.3 million euros, showing a notable increase of 72.1% on the previous year. This increase is largely due to the performance of gross operating profit as mentioned previously, in addition to another two minor factors: (i) the lower depreciation charge for certain transport concession assets (Cedinsa Group) assigned to the operating segment, which, during this first quarter and through to their sale at the end of the quarter, remained classified as held for sale, and (ii) a contribution of 9.6 million euros under the Other operating results heading, following the effective completion of this sale recorded at the end of March.

4.4 Earnings before Taxes (EBT) from continuing operations

Profit before tax for continued activities stood at 340.3 million euros, showing a significant increase on the 134.3 million euros reported in 2020. This was due to the fact that the strong performance of operating activities was accompanied by the positive impact on other financial results, due to exchange rate differences, as well as due to the sale of certain investees attached to the Concessions segment.

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

4.4.1 *Financial income*

The financial income stands at -59.7 million euros compared to -67.5 million euros for the previous business year, reflecting a contraction of the financial debt during the period and its lower associated cost.

4.4.2 *Miscellaneous financial results*

This heading, which has no impact on cash flow, amounted to 28.3 million euros in the first half of the year, compared to -27.3 million euros last year. The difference is largely due to two reasons. First, it includes the differential behaviour of the exchange differences recorded for certain currencies, with a positive impact of 11.3 million euros this year compared to a negative contribution of 27.2 million euros during the same period in 2020.

4.4.3 *Profit/(loss) of equity-accounted investees*

Earnings contributed by investee companies totalled 48.3 million euros, compared to 41.1 million euros the previous year, due to the increased revenues from different investees of the different business areas, in addition to the effect discussed previously of successfully completing the agreement reached last year to sell concessions Ceal 9 and Urbicsa, for a combined total of 17.6 million euros contributed during the first half of the year. All in

all, the figures were similar to the positive results of the year 2020 due to the adjustment in the value of the parent company responsible for renewable energy activities.

4.5 Income attributable to the parent company

Attributable net income for the first half of the year was 232.5 million euros, a substantial improvement on the 75.9 million reported a year earlier. This performance is down to the increase in pre-tax profit described above. A corporation tax expense of 67 million euros was also recorded, in line with the pre-tax profit obtained, together with profit attributable to non-controlling interests of 40.8 million euros, compared to 26.4 million euros in the previous year, reflecting the increase in the period in the Group's consolidated profit attributable to those interests.

4.6 Profit and loss statement figures on a pro rata basis

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

	Jun. 21	Jun. 20	Chg. (%)
Net turnover (NT)	3,117.8	2,792.3	11.7%
Gross Operating Profit (EBITDA)	526.0	429.1	22.6%
<i>EBITDA Margin</i>	<i>16.9%</i>	<i>15.4%</i>	<i>1.5 p.p</i>
Net Operating Profit (EBIT)	328.0	193.9	69.2%
<i>EBIT margin</i>	<i>10.5%</i>	<i>6.9%</i>	<i>3.6 p.p</i>
Income attributable to the parent company	232.5	75.9	206.3%

5. BALANCE SHEET

<i>(Millions of Euros)</i>	Jun. 21	Dec. 20	Chg. (€M)
Intangible fixed and non-current assets	2,495.3	2,437.9	57.4
Fixed and non-current assets/Property, Plant and Equipment	2,821.6	2,810.2	11.4
Equity-accounted affiliates	728.0	722.8	5.2
Non-current financial assets	594.7	580.9	13.8
Deferred tax assets and other non-current assets	567.7	578.7	(11.0)
Non-current assets	7,207.3	7,130.4	76.9
Non-current assets held for sale	61.9	1,392.3	(1,330.4)
Inventory	760.8	765.6	(4.8)
Trade and other receivables	2,308.2	2,095.6	212.6
Other current financial assets	193.7	228.7	(35.0)
Cash and cash equivalents	1,049.5	1,222.1	(172.6)
Current assets	4,374.2	5,704.2	(1,330.0)
TOTAL ASSETS	11,581.5	12,834.6	(1,253.1)
Equity attributable to shareholders of the parent company	2,646.3	2,288.3	358.0
Non-controlling interests	533.7	620.4	(86.7)
Equity	3,180.0	2,908.7	271.3
Subsidies	192.5	193.0	(0.5)
Non-current provisions	1,110.2	1,064.4	45.8
Long-term financial debt	2,680.1	3,543.3	(863.2)
Other non-current financial liabilities	415.4	434.0	(18.6)
Deferred tax liabilities and other non-current liabilities	306.0	296.7	9.3
Non-current liabilities	4,704.2	5,531.3	(827.1)
Liabilities relating to non-current assets held for sale	0.0	1,051.3	(1,051.3)
Current provisions	187.2	195.2	(8.0)
Short-term financial debt	1,149.7	705.2	444.5
Other current financial liabilities	180.6	169.2	11.4
Trade and other payables	2,179.8	2,273.7	(93.9)
Current liabilities	3,697.3	4,394.6	(697.3)
TOTAL LIABILITIES	11,581.5	12,834.6	(1,253.1)

5.1 Investments accounted for using the equity method

The heading of investments accounted for using the equity method amounted to 728 million euros at the end of the first half of the year, with the following breakdown of investments in equity:

- 1) 286.9 million euros for the 36.9% stake in Realia.
- 2) 64.2 million euros for the stakes held in various transport infrastructure and equipment concessions.
- 3) 104.6 million euros for the stake in companies in the Environment area (recycling and municipal services, mainly in Spain and the United Kingdom).
- 4) A total of 42.9 million euros for stakes held in companies in the Water activity, largely concessionary companies that manage services abroad (North Africa and Spain).
- 5) 30.7 million euros from the subsidiaries of the parent company in the Cement area.

This heading also includes a further 198.7 million euros for the remaining investments in own funds for other participations together with loans granted to affiliates.

5.2 Assets held for sale

This heading includes the non-current assets for a total of 61.9 million euros, compared to 1,392 million euros at the close of 2020. This reduction is explained by: (i) sale of certain infrastructure concessions located in Spain, as already agreed upon in the first quarter the business year, an (ii) including the amount corresponding to the parent company in this heading, which holds a stake in the renewable energy operations, during the second quarter of the year.

5.3 Cash and cash equivalents

The balance of the Cash and cash equivalents heading amounts to 1,049.5 million euros at the end of the first half of the year, 172.6 million euros than the figure at the end of last year, distributed as follows:

- 1) In the perimeter with recourse, cash and equivalents totalled 324.8 million euros.
- 2) In the perimeter without recourse, cash and equivalents amounted to 724.7 million euros.

5.4 Equity

Equity at the end of the first half of the year came to 3,180.0 million euros, compared to 2,908.7 million euros at the end of 2020. This 9.3% increase was mainly due to the contribution of 232.5 million euros in net attributable profit in the period.

5.5 Financial debt

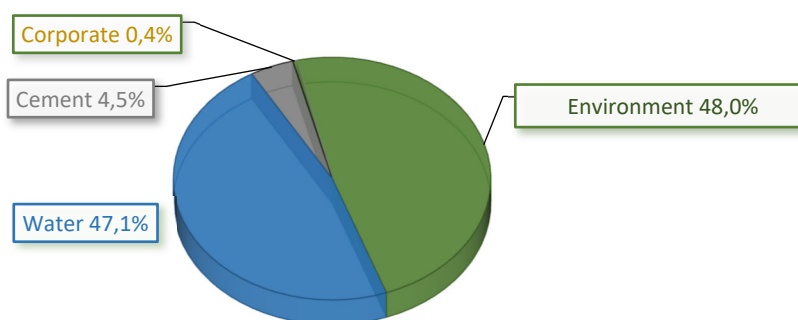
<i>(Millions of Euros)</i>	Jun. 21	Dec. 20	Chg. (€M)
Bank borrowings	487.6	820.0	(332.4)
Debt instruments and other loans	3,152.1	3,230.3	(78.2)
Payables due to financial leases	45.3	50.2	(4.9)
Other financial liabilities	144.8	148.0	(3.2)
Gross Financial Debt	3,829.8	4,248.5	(418.7)
Treasury and other current financial assets	(1,243.2)	(1,450.7)	207.5
Net Financial Debt	2,586.6	2,797.8	(211.2)
<i>Net financial debt with recourse</i>	<i>(234.8)</i>	<i>101.6</i>	<i>(336.4)</i>
<i>Net financial debt without recourse</i>	<i>2,821.4</i>	<i>2,696.2</i>	<i>125.2</i>

With regard to gross financial debt, 26.1% has short-term maturity, equivalent to 1,149.7 million euros. 700 million of these correspond to bonds issued by the parent company of the Water Area and another 340.8 million euros correspond to commercial paper issued on the Irish Stock Exchange by the Group's parent company and the Environment area. The remaining 45.9 million euros are distributed in various credit facilities in place with banks, including both bilateral corporate financing and non-recourse project financing, and a further 42.5 million euros, mainly in financial debt with third parties.

The balance of net financial indebtedness was down 7.5% in the period, totalling 2,586.6 million euros, thanks to the positive performance of the Group's cash-generating operations together with the effect of a further reduction of 111.3 million euros, mainly in non-recourse factoring operations at the Water area, resulting in its cancellation at the end of June for the consolidated Group as a whole.

Almost all of the net financial debt is without recourse and is mostly allocated to the Water Utilities and Environment areas (its Market debt is rated as "Investment Grade"). The Group's parent company improved its financial strength and achieved a positive cash position of 234.8 million euros at the end of the first half of the year.

Breakdown of Net Financial Debt without recourse by Business Area



Net financial debt is structured as follows:

- (i) The Water area accounts for 1,329.1 million euros, part of which relates to the financing of corporate bonds at the parent company, a further 200.6 million euros corresponds to the business in the Czech Republic, and the rest to various integral water cycle concessions; (ii) the Cement area accounts for 125.5 million euros; (iii) the Environment area accounts for 1,354.3 million euros, most of which corresponds to long-term bonds issued at the end of 2019 by the area's parent company, a further 166.8 million euros relates to the business in the United Kingdom, while the rest largely relates to project financing for three waste treatment and recycling plants in Spain; (iv) 12.4 million euros at the concessions area, following the exit of 698.5 million euros in connection with the project-related debt of the Cedinsa concessionaire group.

5.6 Other current and non-current financial liabilities

The heading of other current and non-current financial liabilities totalled 596 million euros at the end of the first half of the year. The balance mainly includes the item suppliers of fixed and non-current assets for operating leases, amounting to 392.7 million euros. It also includes other liabilities that are not financial liabilities, such as those associated with hedging derivatives, suppliers of fixed and non-current assets, guarantees and deposits received.

6. CASH FLOW

<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (%)
Gross Operating Profit (EBITDA)	529.2	433.6	22.0%
(Increase)/decrease in working capital	(301.1)	(308.1)	-2.3%
Corporate income tax (paid)/received	(40.0)	(5.8)	N/A
Other operating cash flow	(24.8)	(28.4)	-12.7%
Operating cash flow	163.3	91.3	78.9%
Investment payments	(208.8)	(211.3)	-1.2%
Divestment collections	408.5	27.8	N/A
Other investing cash flows	32.4	41.1	-21.2%
Investing cash flow	232.1	(142.4)	N/A
Interest paid	(55.4)	(71.3)	-22.3%
(Payment)/receipt of financial liabilities	(480.8)	63.5	N/A
Other financing cash flow	(27.5)	(10.4)	164.4%
Financing cash flow	(563.7)	(18.2)	N/A
Exchange differences, change in consolidation scope, etc.	(4.3)	(12.9)	-66.7%
Increase/(decrease) in cash and cash equivalents	(172.6)	(82.2)	110.0%

6.1 Operating cash flow

The operating cash flow generated during the first half of the year amounted to 163.3 million euros, 78.9% more than in the previous business year. It is worth highlighting that this result is achieved when the operating working capital was up 301.1 million euros compared to 308.1 million in the last business year, including in both periods the elimination of the amount of non-recourse factoring operations in the Water area this year and in the Environment area last year, to reduce the Group's financial cost.

The epigraph collections/(payment) of company tax shows an outflow of 40 million euros, compared to 5.8 million euros in 2020, a variation explained by the increased revenues during the period, expected to be recovered over the next periods and with regards to the collection of instalments outstanding from the year 2019.

The heading Other operating cash flow includes an outflow of 24.8 million euros compared to 28.4 million euros of the previous business year, which is a very similar amount and explained by the application of provisions mainly in the Construction area.

6.2 Investing cash flow

The investment cash flow represents a generation of 232.1 million euros compared to an application of 142.4 million euros in the previous business year.

The most significant item of this first half of the year corresponds to earnings for transport concession divestment transactions, for a cash entry of 377.1 million euros, so proceeds from disposals amounted to 408.5 million euros, when compared to 27.8 million euros of the last business year.

With regards to payments for investments totalling 208.8 million euros, these are similar to those of the same period during the last year. By business area, the Environment area's investments represented 116.9 million euros, highlighting the investment required for the construction of the Loeches and Campello treatment plants, for a

combined amount of 24.6 million euros. In the United Kingdom, the most relevant investments include those required to make progress on the development of the energy recovery plant in Lostock, worth 11.7 million euros.

In the Water area payments for investments rose to 52.8 million euros, of which 41.3 million euros corresponds to investments in several operating contracts and the remaining for 11.5 million euros were invested in new contracts, mainly in Mexico, Colombia and in Spain (desalination plant of Mar de Alborán in Almería).

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

<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (€M)
Environment	(111.2)	(114.2)	3.0
Water	(45.5)	(59.1)	13.6
Construction	(15.0)	(4.6)	(10.4)
Cement	(1.4)	(5.6)	4.2
Corporate serv. etc. & adjustments	372.8	0.0	372.8
Net investments (Payments - Collections)	199.7	(183.5)	383.2

The heading "Other investment flows" includes an inflow of 32.4 million euros during the first half of the year, highlighting the cancellation of short-term cash deposits in the Water area.

6.3 Financing cash flow

The consolidated cash flow from financing up to June 2021 represents an application of 563.7 million euros, compared to 18.2 million euros in the previous year. The interest payment item shows an outflow of 55.4 million euros, mainly concentrated in the Water and Environment areas.

The heading "Proceeds from/(payments on) financial liabilities" includes an application of the financing flows, with a substantial reduction in debt worth 480.8 million euros during the first half of the year, compared to the increase in debt worth 63.5 million euros during the previous year. The most significant item was the decrease in the financial debt of the Cement area, amounting to 125.5 million euros, as well as the strengthening of the net cash of the Group's parent company, totalling 234.8 million euros at the end of this half of the year.

6.4 Exchange differences, change in consolidation scope, etc.

This heading recorded an application of 4.3 million euros and includes two main items. First, the transfer of the cash flow of the concession subgroup Cedinsa for 20.4 million euros following the sale agreement reached in March and the effect on cash of the variation in the exchange rate of various currencies against the euro, mainly concentrated in the Construction area.

6.5 Change in cash and cash equivalents

As a result of the performance of the different cash flow components, the FCC Group's cash position was reduced by 172.6 million euros since December 2020, with a balance of 1,049.5 million euros at the close of the first half of the year.

7. ANALYSIS BY BUSINESS AREA

7.1. Environment

The Environment area contributed 46.9% of the Group's EBITDA in the first half of the year. 80.3% of its activity is focused on essential waste collection, processing, recycling and disposal, as well as street cleaning. The remaining 19.7% corresponds to other types of urban environmental activities, such as the conservation of green areas or sewage systems.

In Spain, the management of municipal waste and street cleaning are the most important activities, while in the United Kingdom the focus is on the processing, retrieval and disposal of municipal waste. In central Europe, mainly Austria and the Czech Republic, FCC is present right across the waste management chain (collection, processing and disposal). FCC's activities in the USA include both the collection and comprehensive retrieval of municipal waste.

7.1.1. Earnings

<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (%)
Turnover	1,564.6	1,389.5	12.6%
<i>Waste collection and street cleaning</i>	755.0	700.0	7.9%
<i>Waste processing</i>	501.0	406.8	23.2%
<i>Other services</i>	308.6	282.7	9.2%
EBITDA	248.1	214.6	15.6%
<i>EBITDA Margin</i>	15.9%	15.4%	0,4 p.p
EBIT	133.7	94.4	41.6%
<i>EBIT margin</i>	8.5%	6.8%	1,8 p.p

Revenues at the Environment area were up 12.6% to reach 1,564.6 million euros in the first half of the year. Waste collection and street cleaning activity totalled 755 million euros due to the new contracts and increased activity in waste treatment and street cleaning services in Spain, the latter due to adverse weather conditions in January. Waste treatment activity was up 23.2% to 501 million euros, due to the recovery of the activities in the United Kingdom and the increase in activity in Central Europe, in addition to the good performance in Spain and Portugal.

Breakdown of revenue by geographical area			
<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (%)
Spain	895.1	822.1	8.9%
United Kingdom	333.1	298.1	11.7%
Central Europe	267.5	223.5	19.7%
US and others	68.9	45.8	50.4%
Total	1,564.6	1,389.5	12.6%

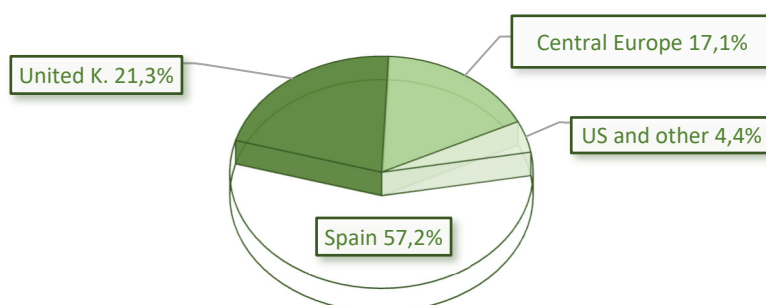
By geographical area, revenues in Spain were up 8.9% compared to the previous year to reach 895.1 million euros, due to an increased contribution from the Campello treatment plant, plus the contribution made by the new street cleaning and waste collection contracts. The higher levels of activity in cleaning and green areas after the heavy snow that fell during the month of January are also worth highlighting.

Turnover was up by 11.7% to 333.1 million euros in the UK, mainly due to the recovery of the treatment and urban waste reduction activities in the United Kingdom, as well as to the start of execution of new contracts.

In central Europe, revenues grew by 19.7% to 267.5 million euros due to the higher volume of activity in almost all countries in which the company operates, mainly Austria, Czech Republic and Poland, as well as due to the increase in price of recycled by-products.

Last but not least, turnover in the United States and other markets was up 50.4% to 68.9 million euros, due to the contribution made by the new contracts secured in Omaha, Nebraska and Volusia, Florida, as well as the increase in industrial recycling activity in Portugal.

Breakdown of Revenue by geographical area



Gross operating profit (EBITDA) was up by 15.6% to reach 248.1 million euros, due to the revenue performance described above and the drop in prices of the treatment and recovery activities, allowing the operating margin to recover by 0.5 p.p.

Net operating profit (EBIT) was up 41.6% on the first half of the previous year to 133.71 million euros, due to the performance of the various components of EBITDA mentioned previously.

Breakdown of the backlog, by geographical area

<i>(Millions of Euros)</i>	Jun. 21	Dec. 20	Chg. (%)
Spain	5,669.8	4,872.2	16.4%
International	4,950.0	4,312.1	14.8%
Total	10,619.8	9,184.3	15.6%

At the end of the first half of the year, the area's backlog increased by 15.6% to 10,619.8 million euros. In Spain, it reached 5,669.8 million euros, highlighting the street waste collection and cleaning activities in Barcelona, with contracts worth 857.2 million euros, and other smaller contracts, observing an increase in the bidding activity during the first half of the year. In the international realm, it increased by an impressive 14.8% to 4,950 million euros, highlighting the new contracts secured in the United Kingdom and the United States.

7.1.2. Financial Debt

<i>(Millions of Euros)</i>	Jun. 21	Dec. 20	Chg. (€M)
Net Financial Debt	1,354.3	1,330.2	24.1

There have been almost no variations in the financial debt since the start of the business year. Most of the debt corresponds to the issuance of two green bonds worth 1,100 million euros. A further 166.8 million euros is in place to finance business in the United Kingdom, while the rest is linked to the financing of a project for three waste treatment and recycling plants in Spain.

7.2. End-to-End Water Management

The Water area contributed 25.4% of FCC Group's EBITDA in the period. 89% of its activity is focused on public service concession management related to the end-to-end water cycle (collection, treatment, storage and distribution) and the operation of different types of water infrastructures; the remaining 11% corresponds to Technology and Networks, which is responsible for the design, engineering and equipment of hydraulic infrastructures, related to a great extent to the development of new concessions and ancillary works for operations.

In Spain the area serves over 13 million inhabitants in more than 850 municipalities. In Central Europe, it serves 1.3 million users, mainly in the Czech Republic, while in the rest of the continent it is present in Italy, Portugal and France. In Latin America, the Middle East and Africa it is present through the design, equipping and operation of processing plants. Overall, the Water area provides supply and/or sanitation services to more than 29.6 million inhabitants.

7.2.1 Earnings

<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (%)
Turnover	564.8	562.4	0.4%
<i>Concessions and services</i>	502.4	478.6	5.0%
<i>Technology and networks</i>	62.4	83.8	-25.5%
EBITDA	134.2	125.6	6.8%
<i>EBITDA Margin</i>	23.8%	22.3%	1,4 p.p
EBIT	75.5	69.2	9.1%
<i>EBIT margin</i>	13.4%	12.3%	1,1 p.p

Revenues remained stable when compared to the first half of the previous year, at 564.8 million euros. Revenues of the Concessions and services activity were up by 5% to 502.4 million euros, due to the higher volume of activity in Spain and abroad. Meanwhile, activity at Technology and Networks dropped by 25.5%, due to the slower pace of performance on singular projects in the international realm, which was partially offset by the growth of this activity in Spain.

Breakdown of revenue by geographical area

<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (%)
Spain	388.8	366.0	6.2%
Middle East, Africa and Others	53.6	86.0	-37.7%
Central Europe	53.4	51.5	3.7%
Rest of Europe (France, Portugal and Italy)	39.0	35.5	9.9%
Latin America	30.0	23.4	28.2%
Total	564.8	562.4	0.4%

By geographical areas, the revenues in Spain were 388.8 million euros, up by 6.2% when compared to the same period of the previous business year. The concessions activity saw a growth in the m3 invoiced in household and non-household sectors, while the Technology and Networks activity also increased due to the contracts associated with singular projects and work in concession contracts.

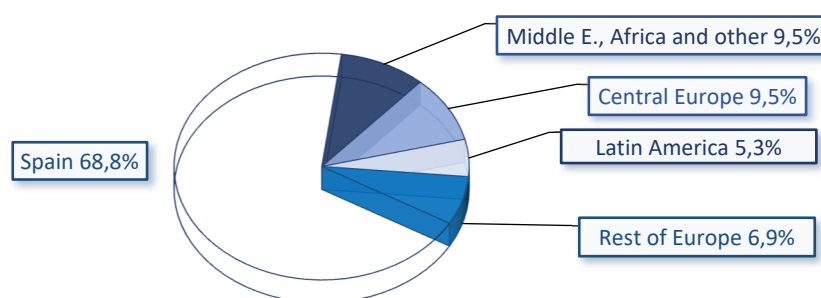
On the international front, the Middle East, Africa and Others was the main contributor to the decline in revenues at the division, falling 37.7% to 53.6 million euros, largely due to the slowdown in construction of a wastewater treatment plant in Egypt and to the completion of the project in Riyadh, Saudi Arabia.

Central Europe grew by 3.7%, totalling 53.4 million euros, due to the prices review at the end-to-end cycle business in the Czech Republic, which countered the drop in consumption caused by the health crisis.

In the Rest of Europe, revenues increased by 9.9% to 39 million euros, mainly due to the higher levels of activity in the infrastructures of the Aque di Caltanissetta concession in Italy, in addition to the increase in tariffs within its regulatory framework.

In Latin America, turnover was up 28.2% to 30 million euros on the back of increased concession activity in Colombia and Mexico.

Breakdown of Revenue by geographical area



Gross operating profit (EBITDA) increased by 6.8% and totalled 134.2 million euros, due to the incorporation of new concession contracts, which helped to offset the above-mentioned decrease in volumes and activity in Technology and Networks, allowing the operating margin to reach 23.8%, as compared to 22.3% of the same period during the previous year.

Net operating profit (EBIT) was up by 9.1% on the first half of the previous year to 75.5 million euros, due to the performance of gross operating profit, as discussed previously.

Breakdown of the backlog, by geographical area

<i>(Millions of Euros)</i>	Jun. 21	Dec. 20	Chg. (%)
Spain	7,367.0	7,224.7	2.0%
International	8,059.5	7,801.2	3.3%
Total	15,426.5	15,025.9	2.7%

At the end of June, the backlog was worth 15,426.5 million euros, 2.7% higher than the figure at the close of the previous year, with the contract in Adeje and Güímar (Santa Cruz de Tenerife) or the end-to-end management contract in Salamanca as the highlights. In the international realm, it is worth mentioning the contract for the full cycle management improvement in Los Cabos (Mexico).

7.2.2. Financial Debt

<i>(Millions of Euros)</i>	Jun. 21	Dec. 20	Chg. (€M)
Net Financial Debt	1,329.1	1,177.6	151.5

Net financial debt, entirely without recourse to the Group's parent company, was up 151.5 million euros on December of last year to reach 1,329.1 million euros. Most of the debt balance relates to long-term bonds issued by the Area's parent company, with a gross balance of 1,348.7 million euros. The net debt includes the effect of cash applications on the cancellation of factoring without recourse operations, for a total amount of 107.3 million euros.

7.3. Construction

The Construction area accounted for 8.7% of the FCC Group's EBITDA in the first half of the year. Activities were focused on the design and construction of large civil engineering, industrial and building works. Special mention should go to participation in major works like railways, tunnels, bridges and football stadiums that constituted a major part of the activity.

<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (%)
Turnover	768.2	675.3	13.8%
EBITDA	46.2	17.4	165.5%
<i>EBITDA Margin</i>	<i>6.0%</i>	<i>2.6%</i>	<i>3,4 p.p</i>
EBIT	32.3	0.7	N/A
<i>EBIT margin</i>	<i>4.2%</i>	<i>0.1%</i>	<i>4,1 p.p</i>

Revenues in the area were up by 13.8% to 768.2 million euros, largely due to a faster pace of project performance in Spain, Europe and Latin America, offsetting the lower activity levels in the Middle East.

Breakdown of revenue by geographical area			
<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (%)
Spain	414.8	370.1	12.1%
Rest of Europe and other	169.5	143.1	18.4%
Latin America and USA	99.8	39.4	153.3%
Middle East	84.1	122.7	-31.5%
Total	768.2	675.3	13.8%

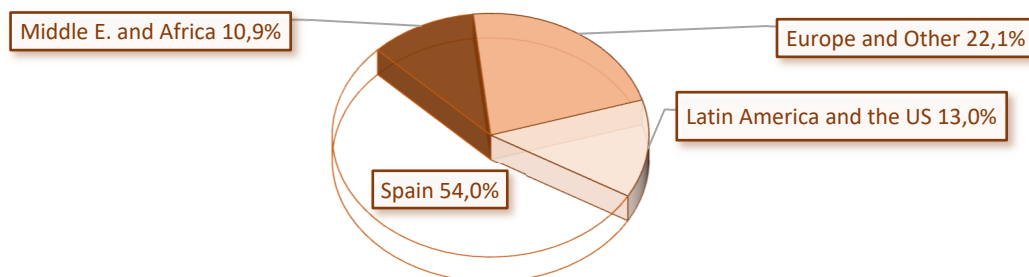
By geographical area, in Spain turnover climbed 12.1% to reach 414.8 million euros, due to the healthy pace of project development, the most significant being the remodelling of the Santiago Bernabéu football stadium, as well as other smaller contracts recently awarded.

Moreover, in Europe and other markets, turnover increased by 18.4% compared to the same period of the previous business year, totalling 169.5 million euros as a result of an increase in activity and projects, such as the Haren prison complex in Belgium, the A-465 motorway in Wales or the A-9 motorway in the Netherlands and A-6 motorway in Norway.

In Latin America and the United States, revenues grew significantly, up to 99.8 million euros, largely due to the increased contribution of the Maya Train in Mexico and the commencement of a road project in Chile.

The Middle East concentrates the drop in revenues, down to 84.1 million euros, mainly due to the lower activity reported in the construction of the Riyadh metro in Saudi Arabia as the project nears completion, higher than 90%, as in previous periods.

Breakdown of revenue by geographical area



Gross operating profit (EBITDA) was up to 46.2 million euros, compared to 17.4 million euros during the same half of the previous business year, due to the performance mentioned above and to the lower impact of fixed costs at construction sites in some projects that were affected by the downtime and delays of the COVID-19 restriction measures. Therefore, the operating margin recovered to 6%.

Net operating profit totalled 32.3 million euros, compared to 0.7 million euros for the previous year, thanks to the performance of gross operating earnings, as mentioned previously.

Breakdown of the backlog, by geographical area

<i>(Millions of Euros)</i>	Jun. 21	Dec. 20	Chg. (%)
Spain	1,547.2	1,628.4	-5.0%
International	3,325.9	3,527.4	-5.7%
Total	4,873.1	5,155.8	-5.5%

The area's backlog were down 5.5% at the end of June compared to the same figure at December 2020, to reach 4,873.1 million euros, both in Spain and abroad. In Spain, this is due to the effective execution of contracts in progress, in an unchanging environment with a low volume of public tender processes. In the international realm, the progress made on projects that are now nearing completion, such as the Riyadh metro, is making its impact; such projects have been partially offset by new contracts won during the last periods in Latin America and Europe.

Breakdown of the Backlog by Activity Segment

<i>(Millions of Euros)</i>	Jun. 21	Dec. 20	Chg. (%)
Civil engineering works	3,964.0	4,121.5	-3.8%
Building	575.0	695.0	-17.3%
Industrial Projects	334.1	339.3	-1.5%
Total	4,873.1	5,155.8	-5.5%

Civil engineering works continue to be the dominating segment by type of activity, representing 81.3% of the total. A greater degree of progress has been achieved in the projects in all areas of activity, in particular, in Building.

7.4. Cement

The Cement area contributed 9.1% of the FCC Group's EBITDA during the first half of the year. This activity was undertaken by the CPV Group, which focuses on manufacturing cement and by-products, with 7 main production centres in Spain and 1 in Tunisia, in addition to a minority stake of 45% in Giant Cement, which operates a number of factories on the east coast of the US.

7.4.1. Earnings

<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (%)
Turnover	221.6	173.3	27.9%
<i>Cement</i>	199.3	156.1	27.7%
<i>Other</i>	22.3	17.2	29.7%
EBITDA	48.4	26.0	86.2%
<i>EBITDA Margin</i>	21.8%	15.0%	6,8 p.p
EBIT	32.7	9.4	247.9%
<i>EBIT margin</i>	14.8%	5.4%	9,3 p.p

The area's revenues were up by 27.9% to 221.6 million euros compared to June of last year, mainly due to a solid increase in volumes invoiced in the local markets of Spain and Tunisia, accompanied by an increase in exports from both markets.

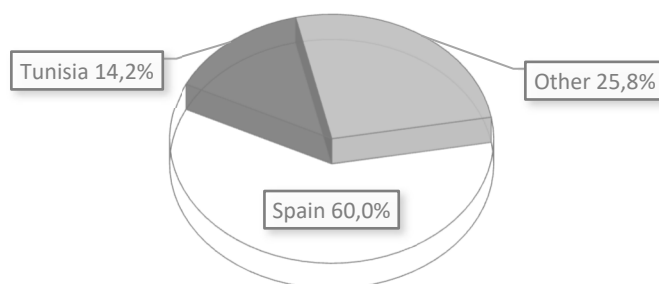
Breakdown of revenue by geographical area			
<i>(Millions of Euros)</i>	Jun. 21	Jun. 20	Chg. (%)
Spain	133.0	109.9	21.0%
Tunisia	31.5	23.1	36.4%
Miscellaneous (exports)	57.1	40.3	41.7%
Total	221.6	173.3	27.9%

By geographical area, revenues in Spain were up by 21% to 133 million euros, following a significant increase in invoiced volumes further supported by price stability, as a result of the steady recovery of investment activity, focusing on the private sector.

In the local Tunisian market, revenues grew by 36.4% to 31.5 million euros, thanks to the sustained increase in volumes and prices, as in the Spanish market. These revenues were made despite the depreciation of the Tunisian dinar during the first half of the year, as compared to the same period of the last year (-4.4%).

Moreover, export revenues increased by a noteworthy 41.7% to 57.1 million euros, following an increase in exports, mainly to the EU, from Spain, in particular, to the United Kingdom and France.

Breakdown of revenue by geographical area



Meanwhile, gross operating profit rose by 86.2% to 48.4 million euros thanks to the recovery of volumes over the production structure and despite the increase in fuel and energy prices. Sales of CO2 emissions generated 7.8 million euros, with no sales in the same period of the previous year, Therefore, the operating margin reached 21.8%, as compared to 15% of the previous year.

Net operating profit stood at 32.7 million euros, due to the performance of gross operating profit as mentioned previously.

7.4.2. Financial Debt

<i>(Millions of Euros)</i>	Jun. 21	Dec. 20	Chg. (€M)
Net financial debt	125.5	173.7	(48.2)

Net financial debt, entirely without recourse to the Group's parent company, dropped to 48.2 million euros as compared to December of last year, reaching 125.5 million euros, as a result of the strengthening of free cash flows.

8. SHARE INFORMATION

8.1. Stock market performance

	Jan. – Jun. 2021	Jan. – Jun. 2020
Closing price (€)	9.80	8.41
<i>Change in the period</i>	11.36%	(22.99%)
High (€)	11.24	11.96
Low (€)	8.71	7.17
Average daily trading (no. of shares)	83,539	106,969
Average daily trading (million euros)	0.8	0.9
Capitalisation at end of period (million euros)	4,009	3,298
No. of shares circulating at closure	409,106,618	392,264,826

8.2. Dividends

The Company's Board of Directors, at its meeting held on 29 June 2021, agreed to implement the agreement on the distribution of the scrip dividend adopted at FCC's General Shareholders' Meeting on 29 June 2021, in item 6 of the Agenda, in compliance with the terms and conditions agreed at the General Shareholders' Meeting.

As of the date of this report, 98.2% of the Group's shareholders chose the allocation of new free shares, in recognition for their management performance and for their capacity to create value for the Group.

8.3. Treasury stock

At 30 June 2021, the FCC Group owned, directly and indirectly, a total of 1,606,562 shares of FCC S.A. (including the allocation of shares corresponding to the 2021 scrip dividend), that is 0.38% of the company's capital, with no variations with regards to the balance at the end of the last business year.

9. 2H2021 RISKS AND OUTLOOK

As a benchmark global group in the design, execution and management of infrastructures and services, FCC is subject to a variety of environmental and socio-economic environments and regulatory frameworks. In this context, the FCC Group is exposed both to the risks inherent to its activities and to the risks related to global and local environmental, economic, social and geopolitical environments. However, the FCC Group has a positive view of the future and has demonstrated that it is resilient enough to overcome the challenges of difficult and complex times like these, proof of which is the challenges it has already overcome in the past 120 years since its establishment. The Group's resilience is based on solid foundations, a solid risk management framework, a commitment to good corporate governance and sustainability and a focus on the challenges of the future.

Global risks and outlook

We are still experiencing the major socio-economic effects of the COVID-19 crisis, but the global economy is on its path of recovery while facing uncertainty. There has been an asymmetric economic recovery between countries and even sectors, due to the different impacts of the pandemic. According to the International Monetary Fund, global growth will reach 6% in 2021 and 4.4% in 2022, as compared to the growth of 3.3% in 2020, although we must take into account that these forecasts do not only depend on the unfolding of the vaccine development process and new virus strains, but also on the effectiveness of the economic policies rolled out to recover from the impact of the pandemic. Impacts with a big effect on the deficit and increase of public debt are already being seen in the short-term in many countries.

There is still a high level of uncertainty surrounding the increase in protectionist policies rolled out, raw material price stability, the final consequences of Brexit and the political tensions between the Middle East and Latin America. Some geopolitical decisions/policies in the countries in which FCC operates or could operate in the future could lead to missed business opportunities.

Moreover, the FCC Group must manage the risks and opportunities derived from a series of global and intercommunicating trends, such as the expansion of sustainable cities and developments, digitisation, sustainable use of natural resources and the fight against climate change, inequality and social exclusion, which may affect its business model, but which also open up new development opportunities and the chance to contribute value, with the development of competitive and technologically advanced solutions, in line with the Sustainable Development Goals (SDGs) and the 2030 Agenda, channelled through the specialisation of its synergistic business areas in the field of design, execution and management of infrastructures associated with the environment, water and mobility.

FCC Medioambiente, which has developed its 2050 Sustainability Strategy, has a positive outlook with regards to the performance of turnover and the backlog in Spain, with the progress made towards a circular economy model, promoting the recovery of waste, as well as the reduction of greenhouse gas emissions, and internationally, with the operation of new contracts, such as the waste collection contracts in Hillsborough, Florida (US) and Bytom (Poland).

Aqualia leading end-to-end water cycle operator that has certified its Sustainability Strategy and contribution to the SDGs - will continue to work on improving operational management efficiency, optimising resources and minimising its environmental impact, consolidating smart customer management and also on a selective and profitable growth strategy, increasing its international presence, for example, in Mexico, Colombia and Saudi Arabia, where it recently won a new contract in Jizán, as well as on its backlog in Spain.

With regards to infrastructure-related areas, thanks to its design and technology capabilities, FCC Construcción will continue to focus on singular civil works and building contracts, such as the new road and hospital projects in the United Kingdom, section 2 of the Maya Train or the remodelling works of Santiago Bernabéu Stadium in Madrid, among others. In the Cement area, in which demand is recovering, Cementos Portland Valderrivas continues to lead the national market with top-quality products, while continuing to strengthen the efficiency in the operation of its production plants, through digitisation and automation of its production processes, including new digital tools for customers, suppliers and employees.

The Next Generation EU fund

With regards to recovery and public-private cooperation, the European Commission agreed in 2020 to create the "Next Generation EU" fund, a temporary recovery fund, in addition to the European Union's multi-annual budget over the 2021-2027 period. It will issue up to 750,000 million euros between 2021 and 2026. Spain will be one of the main beneficiaries and is expected to receive aid worth 72,000 million euros between 2021 and 2023. The funds will be used to face the impact of the COVID-19 crisis and accelerate the European economy's digital, green and ecological transitions.

In this context, the FCC Group has identified different high-impact projects in Spain that could apply for the funds of the resiliency and recovery fund, in line with the pillars of the Funds and the "Spain can do it" plan, and in which a Public-Private Association model can generate important synergies.

These projects are associated with the replacement of conventional fuels and the production of renewable energies, fostering energy efficiency, the restoration of homes, sustainable mobility, the circular economy, water treatment projects or the replacement of raw materials, among other projects. The projects identified by the FCC Group could mobilise more than 2,500 million euros across Spain and make a significant impact in terms of the creation of jobs, reduction of emissions, improvement of the circular economy and competitiveness. Likewise, FCC actively collaborates with other sector companies and associations in initiatives for a joint investment of approximately 120,000 million euros.

Financial risks and outlook

The FCC Group's ability to secure financing depends on different factors, some of which are beyond its control and that could be affected by the COVID-19 pandemic, such as general economic conditions, the availability of funds in financial institutions and monetary policies in the markets in which it operates, although the FCC Group has continued to work on finding alternative sources of financing and taking actions aimed at dealing with these growing uncertainties from a solid position.

After selling its entire stake in three infrastructure concessions located in Spain in March 2021, the FCC Group faces the second half of 2021 with a stronger capital structure, with financial structures that feature amounts, terms and financing costs suited to the nature of its different business areas.

During the second half of 2021, progress will be made on managing the various financial risks, these being partly mitigated in the Eurozone by the forecasts of sustained low interest rates although the inflation rate could spike up to around 2% this year, as well as the search for natural coverage against exchange rate risks.

All in all, the financial risks monitored by the FCC Group during the second half of 2021 do not differ significantly from the application of the control systems described in the Annual Corporate Governance Report for the 2020 financial year.

Operational, compliance and reporting risks

The complexity and diversity of the projects in which the FCC Group participates requires a great effort in identifying and assessing risks from the study phase to completion, to enable contracts to be completed within the deadlines, scope and profitability targets. Among the potential operational risks that could affect the Group's operations during the second half of 2021 are:

- the termination or amendment of contracts and rescheduling of projects, requiring on-going monitoring of contractual contingencies, planning and operational budgets.
- the delay or temporary interruption of some projects, especially those related to the construction of infrastructures, affected by the impact and containment measures of COVID-19.
- the increase in the price of raw materials, in particular, basic construction materials, derived from the reactivation of global demand after the health crisis and the increase in the price of international maritime container transport, for which preventive purchasing procedures and contractual clauses have been implemented, also using the analysis of deviations as a detection indicator.

- inefficiencies in the supply chain, both derived from financial difficulties of suppliers, as well as supply problems and stock depletion due to alterations in the production chain, requiring the FCC Group to monitor its key suppliers.
- cybersecurity, which took even greater relevance due to the attacks on different companies in the past few months, and for which the FCC Group continues to strengthen its systems and is developing various action plans that will be extended in the coming months, aimed at protecting its systems and assets.
- the FCC Group will continue to develop improvement plans and review its health and safety policies to guarantee the health and safety of people, allowing the group to monitor how FCC grows as a healthy company, paying special attention to the risks derived from COVID-19 and applying a certified occupational hazard prevention system.
- the risks derived from quality assurance and ensuring respect for the environment of the activities and services they provide, for which FCC's Business Units have certified quality assurance, environmental management systems, in accordance with international standards, and specifically, some of these units are part of the EU Eco-Management and Audit Scheme.
- The vulnerability to natural disasters, during which, in addition to implementing different prevention methods, the FCC Group's policy sets to take out the necessary insurance policies to cover the possible risks to which the various elements of its property, plant and equipment and the activities carried out are subject.

To manage the risk of noncompliance, through its Compliance Model, the FCC Group guarantees that all the companies and employees of the company are governed in accordance with the principles established in the Code of Ethics and Conduct, at the same time strengthening internal control so as not to commit any criminal breach. As a result of this commitment established for the second half of 2021, the Compliance Model will continue to be developed nationally and internationally, with the consolidation of the responsibilities and processes that have already been established, and with the development of new Model components, adapted to the different regions and companies, so the internal control processes can continue to be strengthened and integrated with the production and operational processes. To this end, the Compliance Model establishes specific procedures for the assessment of counterparties, including agents, business partners and suppliers, which contribute to managing the risks derived from third-party engagement. Regarding other compliance risks, such as contractual disputes and a potential increase in litigation, a huge effort will continue to be made on monitoring and managing contracts and identifying legal risks.

Moreover, the commitment to achieve the different goals of the FCC Group, as well as the increasing requirements of the different stakeholders, for accurate and agile financial, non-financial and diversity information with different levels of development represents a challenge for all organisations, especially those with a high organisational, corporate and geographical complexity, as is the case of the FCC Group. In this regard, during the second half of 2021, progress will be made in the Group's governance and the development of the information systems and internal control, optimising the integration and management of information and the use of transversal computer systems, both within and outside of Spain, while establishing advanced reporting models in projects managed with third parties. These systems are being complemented with tools to enrich internal communication between work teams and promote corporate culture at mainstream level, in each business line.

Explanatory note

EBITDA

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

BACKLOG

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

As at any given date, the backlog reflects pending production, that is, amounts under contracts or client orders, net of taxes on production, less any amounts under those contracts or orders that have already been recognised as revenue. We value pending production according to the expected number of units at current prices as at the date of calculation. The backlog includes only those amounts to which clients are bound by virtue of a signed contract or firm order.

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

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

In our Construction business area, we recognise the backlog only when we have a signed contract with, or a firm order from, the end client.

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

Real Estate Backlog: Amount receivable in connection with home sales that were pending at the end of the period.

NET FINANCIAL DEBT

Net financial debt is defined as total gross financial debt (current and non-current) less current financial assets, cash and other cash equivalents.

10. DISCLAIMER

The interim financial information contained in this document was obtained from the consolidated interim financial statements as at 30 June 2021, prepared in accordance with the International Financial Reporting Standards (IFRS) 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.

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11. CONTACT DETAILS

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