



2016 EARNINGS REPORT



**Environmental
Services**



Water



Infrastructures



1)	HIGHLIGHTS	2
2)	EXECUTIVE SUMMARY	3
3)	SUMMARY BY BUSINESS AREA	4
4)	INCOME STATEMENT	5
5)	BALANCE SHEET	10
6)	CASH FLOW	14
7)	BUSINESS PERFORMANCE	17
8)	SHARE DATA	29
9)	DISCLAIMER	30
10)	CONTACT DETAILS	31

*FCC was awarded a new municipal solid waste collection contract in Florida
(Polk County)*

1. HIGHLIGHTS

FCC Medio Ambiente expanded its international portfolio in the UK and the US.

FCC Medio Ambiente expanded its international portfolio with contracts in Scotland and the United States. In Scotland, it began development work on the Edinburgh and Midlothian energy-from-waste (EfW) plant, which has an associated backlog of €511 million. Additionally, in December it was awarded a contract by competitive tender to collect municipal solid waste in Polk county, Florida. The contract is for ten years and represents a backlog of approximately USD 102 million. And in November, the City Council of University Park, Texas, awarded FCC a five-year service contract for the treatment and marketing of all the city's recyclables, with scope for a five-year extension. Contract revenues could exceed €3.2 million, depending on its final duration and on commodity prices.

These contracts are in addition to the backlog in Spain, where the largest increase came in September when Madrid City awarded FCC one of the three municipal waste collection contracts in the Western area, which covers much of downtown Madrid. This contract is for four years and represents a backlog of €227.5 million.

FCC Aqualia obtained new international contracts, worth €318 million

FCC Aqualia obtained a number of international contracts, including construction and management of two sewage treatment plants in Colombia worth €148 million, which will serve over 3 million people, and a desalination plant in El-Alamein (Egypt) worth €114.6 million. It also landed network contracts in Riyadh (Saudi Arabia) worth €23 million. Order intake enabled the total order book to remain at record highs: close to €15 billion at year-end.

FCC Construction exceeds €500 million in order intake in industrial construction

FCC Industrial greatly expanded business in 2016. The contracts it obtained during the year, such as the Samalayuca-Sasabe gas pipeline in Mexico, upgrading of fuelling facilities at Dublin airport (Ireland), and the electromechanical installations on Riyadh Metro lines 5 and 6 (Saudi Arabia), boosted the order book considerably in 2016: by 14.4% with respect to 2015.

Further steps towards consolidation and financial optimisation of the Group

In September, the bulk of the FCC, S.A. convertible bond was repaid early and this, combined with smaller payments in subsequent months, resulted in the repayment in 2016 of a nominal amount of €417.7 million, nearly 93% of the total. This led to a substantial reduction in the interest expenses on this issue (6.5% interest rate). This followed the repayment in April of 77% of Tranche B of FCC, S.A.'s syndicated loan by means of a Dutch auction in which an average 15% haircut was obtained. The new funding structure for CPV, the company that heads the Cement division, came into force in July after repayment of over €270 million with funds from the March equity issue, including arrangement of a 5-year maturity and a substantial reduction in funding costs, which will make it possible to adapt the area's funding structure in order to generate cash flow as planned.

These transactions enabled the FCC Group to make substantial progress in strengthening and optimising the capital structure, providing a sound funding platform with stronger capacity and operational flexibility.

Delisting bid for CPV

The period for acceptance of the delisting bid for 100% of the shares representing the capital stock of Cementos Portland Valderrivas, S.A. (CPV), in which FCC owns 77.9%, in order to delist that company from the Madrid and Bilbao Stock Exchanges, where it is currently listed, commenced on 30 December. The deadline for acceptance is 13 February 2017.

FCC Aqualia and FCC Medio Ambiente lead a new biogas production project

The Methamorphosis project, headed by FCC Aqualia and FCC Medio Ambiente in association with other private- and public-sector agents — including Greater Barcelona (AMB), Catalan Energy Institute (ICAEN) and SEAT — seeks to develop an innovative process and new techniques for enhancing biofuel production from municipal and agribusiness waste. The project envisages the installation and operation of prototypes to increase biogas output and enrich its content at a waste treatment centre owned by AMB and managed by FCC Medio Ambiente.

2. EXECUTIVE SUMMARY

- Consolidated Group EBITDA increased by 2.3% in 2016, to €833.7 million. This resulted in a sizeable increase in the EBITDA margin to 14.0% in 2016 (12.6% in 2015).

- EBITDA expanded despite the 8.1% reduction in revenues to €5,951.6 million, which was due mainly to the 17.1% decline in the Construction division and, to a lesser extent, to the 4.5% decline in the Environment division because of sterling's depreciation and the conclusion of the construction phase of a municipal waste recycling and recovery plant.

- Operating profitability increased steadily in almost all areas due to concentrating on more profitable operations, to efficiency improvements in overheads achieving synergies and to measures to increase productivity. All in all support costs were reduced by 12.6% with respect to 2015.

The attributable consolidated loss of €165.2 million in 2016 (compared with a loss of €46.3 million in 2015) is due to the impairment of goodwill in the Cement area in the amount of €299.9 million in the third quarter.

- This impairment, which has no impact on Group cash flow, is due to the delay in the expected demand recovery in Spain caused by the additional setback in public expenditure this year. But for that adjustment, group EBT would have amounted to €133.8 million.

- As a result of strong operating cash flow and the changes to the capital structure, net interest-bearing debt was reduced by 34.3% in 2016 to €3,590.9 million. That €1,882.7 million reduction was due broadly to: (i) the capital increase performed in March; (ii) deconsolidation of Giant Cement in the Cement division; (iii) receipt of an advance for commissioning a waste treatment plant in the UK; (iv) control over capital expenditure and the divestment of certain investees; and (v) measures to contain costs and improve cash conversion of current assets.

- The backlog ended the year at €30,589.9 million, 85.4% of which is concentrated in water and waste management, which ensures a high degree of visibility and strength for the Group's prospects.

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

KEY FIGURES			
(M€)	Dec. 16	Dec. 15	Chg. (%)
Net sales	5,951.6	6,476.0	-8.1%
EBITDA	833.7	814.6	2.3%
EBITDA margin	14.0%	12.6%	1.4 p.p
EBIT*	93.6	323.8	-71.1%
EBIT margin	1.6%	5.0%	-3.4 p.p
Income attributable to equity holders of the parent company	(161.6)	(46.3)	n/a
Operating cash flow	1,024.9	600.3	70.7%
Investing cash flow	(94.7)	(412.6)	-77.0%
Net equity	936.8	487.2	92.3%
Net interest-bearing debt	3,590.9	5,473.6	-34.4%
Backlog	30,589.9	32,499.7	-5.9%

* Includes impairment at CPV amounting to €299.9 million

3. SUMMARY BY BUSINESS AREA

Area	Dec. 16	Dec. 15	Chg. (%)	% of 2016 total	% of 2015 total
(M€)					
REVENUES BY BUSINESS AREA					
Environmental Services	2,728.1	2,855.6	-4.5%	45.8%	44.1%
Water	1,009.8	1,033.5	-2.3%	17.0%	16.0%
Construction	1,652.6	1,992.9	-17.1%	27.8%	30.8%
Cement	536.2	580.4	-7.6%	9.0%	9.0%
Corp. services and adjust.	24.9	13.6	83.1%	0.4%	0.2%
Total	5,951.6	6,476.0	-8.1%	100.0%	100.0%
REVENUES BY GEOGRAPHIC AREA					
Spain	3,072.5	3,407.8	-9.8%	51.6%	52.6%
United Kingdom	889.3	1,029.1	-13.6%	14.9%	15.9%
Middle East & N. Africa	725.5	610.8	18.8%	12.2%	9.4%
Central Europe	535.9	520.2	3.0%	9.0%	8.0%
Latin America	336.1	491.5	-31.6%	5.6%	7.6%
US and Canada	247.7	256.5	-3.4%	4.2%	4.0%
Others	144.6	160.1	-9.7%	2.4%	2.5%
Total	5,951.6	6,476.0	-8.1%	100.0%	100.0%
EBITDA*					
Environmental Services	438.7	425.3	3.2%	52.6%	52.2%
Water	231.4	227.5	1.7%	27.8%	27.9%
Construction	55.0	75.8	-27.4%	6.6%	9.3%
Cement	89.2	94.3	-5.4%	10.7%	11.6%
Corp. services and adjust.	19.4	(8.3)	n/a	2.3%	-1.0%
Total	833.7	814.6	2.3%	100.0%	100.0%
EBIT**					
Environmental Services	221.8	191.5	15.8%	n/a	59.1%
Water	144.1	145.3	-0.8%	n/a	44.9%
Construction	(47.4)	(19.2)	146.9%	n/a	-5.9%
Cement	(120.4)	28.6	n/a	n/a	8.8%
Corp. services and adjust.	(104.5)	(22.4)	n/a	n/a	-6.9%
Total	93.6	323.8	-71.1%	n/a	100.0%
NET DEBT					
With recourse	2,329.1	3,254.3	-28.4%	64.9%	59.5%
Without recourse					
Environmental Services	439.0	659.6	-33.4%	12.2%	12.1%
Water	246.2	249.8	-1.4%	6.8%	4.6%
Construction	0.0	0.0	-	0.0%	0.0%
Cement	511.4	1,248.9	-59.1%	14.2%	22.8%
Corporate	65.2	61.0	6.7%	1.8%	1.1%
Total	3,590.9	5,473.6	-34.4%	100.0%	100.0%
BACKLOG*					
Environmental Services	11,151.7	11,825.7	-5.7%	36.5%	36.4%
Water	14,955.9	14,443.7	3.5%	48.9%	44.4%
Construction	4,482.3	6,230.3	-28.1%	14.7%	19.2%
Total	30,589.9	32,499.7	-5.9%	100.0%	100.0%

* See definition on page 30, in accordance with ESMA rules (2015/1415en).

** Includes impairment at CPV amounting to €299.9 million

4. INCOME STATEMENT

(M€)	Dec. 16	Dec. 15	Chg. (%)
Net sales	5,951.6	6,476.0	-8.1%
EBITDA	833.7	814.6	2.3%
<i>EBITDA margin</i>	14.0%	12.6%	1.4 p.p
Depreciation and amortisation	(404.8)	(433.2)	-6.6%
Other operating income	(335.3)	(57.6)	n/a
EBIT*	93.6	323.8	-71.1%
<i>EBIT margin</i>	1.6%	5.0%	-3.4 p.p
Financial income	(289.1)	(354.3)	-18.4%
Other financial results	(22.2)	(10.6)	109.4%
Equity-accounted affiliates	56.4	35.4	59.3%
Earnings before taxes (EBT) from continuing operations	(161.2)	(5.7)	n/a
Corporate income tax expense	(35.0)	40.8	-185.8%
Income from continuing operations	(196.2)	35.1	n/a
Income from discontinued operations	(7.3)	(89.3)	-91.8%
Net income	(203.5)	(54.2)	n/a
Non-controlling interests	41.9	7.9	n/a
Income attributable to equity holders of the parent company	(161.6)	(46.3)	n/a

* Includes impairment at CPV amounting to €299.9 million

4.1 Net sales

Consolidated Group revenues declined by 8.1% in 2016 €5,951.6 million. This was due mainly to the continuing decline in demand in the Construction area in Spain, caused by the persisting reduction in investment in public works. A range of minor factors, concentrated in the UK, led to a 4.5% reduction in revenues in Environmental Services. Revenues in the Water area declined by 2.3% to €1,009.8 million, due entirely to the Technology and Networks area. The decline in revenues in these two areas did not have a negative impact on earnings since their overall contribution to the Water division is minor, and it was offset by the reduction in operating expenses throughout the Group in 2016.

Cement revenues shrank by 7.6%, largely due to the effect of the deconsolidating the revenues from the company that heads US operations in November, after FCC's stake was diluted in a capital increase at that subsidiary.

The Group's two main areas, Water and Environmental Services, experienced differing impacts. Environmental Services revenues declined by 4.5% due to the average 11.4% depreciation by sterling in the period and also to completion of construction of a treatment plant in the UK that came into service in June. Adjusting for those two effects, revenues were stable in Environmental Services, commensurate with business performance in a situation of generally stable prices, in line with the broad economy. Water revenues declined by 2.3% due entirely to the persistent contraction of the Technology and Networks area (design, engineering and outfitting of water infrastructure) because of cutbacks in government spending to address the budget deficit.

Revenue breakdown, by region			
(M€)	Dec. 16	Dec. 15	Chg. (%)
Spain	3,072.5	3,407.8	-9.8%
United Kingdom	889.3	1,029.1	-13.6%
Middle East & North Africa	725.5	610.8	18.8%
Central Europe	535.9	520.2	3.0%
Latin America	336.1	491.5	-31.6%
US and Canada	247.7	256.5	-3.4%
Others	144.6	160.1	-9.7%
Total	5,951.6	6,476.0	-8.1%

In Spain, revenues fell by 9.8% to €3,072.5 million due almost entirely to the aforementioned contraction of the domestic Construction business (35.4%). Cement revenues declined by 5.9% because of falling sale prices and a slight reduction in volumes.

Outside Spain, revenues expanded by 18.8% in the Middle East and North Africa due to progress with major projects, particularly Riyadh Metro, as well as a higher contribution by network and water treatment projects in the Water division in Saudi Arabia (Riyadh and Mecca).

In the UK, the Group's second largest market, revenues declined by 13.6% due to a combination of factors that were concentrated in the Environmental Services area. One was the depreciation by sterling (-11.4%) as a result of the Brexit vote, and another was the completion of construction work on treatment plants following the commissioning of the Buckinghamshire plant in June, plus the reduction in revenues as a result of lower collection of landfill fees for the Administration.

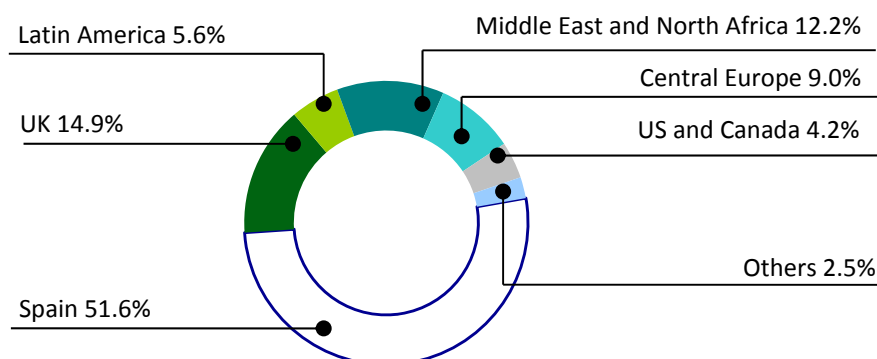
Revenues in Latin America fell by 31.6% due to the time lag between the completion of major construction works, such as Panama Metro Line 1 and projects in Colombia and Costa Rica, and the start of other projects such as Lima Metro and Panama Metro Line 2. In the Water division, a number of projects in Chile and Mexico also concluded, although this effect was partly offset by progress with canalisation in Montevideo (Uruguay).

Revenues in Central Europe increased by 3%, due to increased activity in the Environmental Services division in most countries in the region, particularly the Czech Republic and, to a lesser extent, Austria.

In the United States and Canada, revenues declined 3.4% as a result of deconsolidating the parent company of the Cement business in that region in November 2016. Adjusting for this change, like-for-like revenues in the United States and Canada increased by 40.9% as a result of faster progress with construction of the Gerald Desmond Bridge in Los Angeles, in the Construction area, and the start-up of two waste collection and treatment contracts (in Florida and Texas) in the first half of the year within the Environmental Services division.

The 9.7% decline in Other markets was due entirely to completion of a number of construction contracts in Portugal.

% Revenues by region



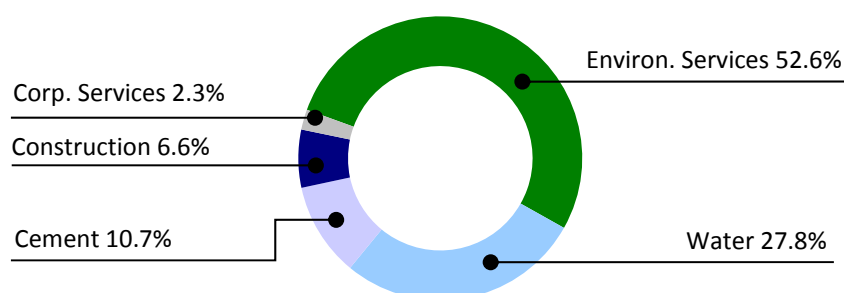
4.2 EBITDA

EBITDA amounted to €833.7 million in 2016, a 2.3% increase year-on-year due to a sharp reduction in support and administration expenses throughout the Group. These expenses continued to decline, having fallen by 12.6% in 2016. Notable savings have been achieved in Corporate Services, which contributed a net €19.4 million of EBITDA in 2016, contrasting with a loss of €-8.3 million in 2015.

Environmental Services achieved 3.2% growth to €438.7 million despite sterling's depreciation in the year, which cut €13.9 million off this area's EBITDA. Results in the period show a limited contribution from the Buckinghamshire recycling plant, which came into service in the third quarter. Water achieved a 1.7% increase due to the higher contribution from concessions, as operating efficiency is increasing and value-added contracts are coming into operation.

The main impact in Cement was the deconsolidation on 1 November of the Cement business in the US after FCC's stake was diluted to 35.6% attributable to FCC (as a result, it is now equity-accounted). Although its EBITDA declined by 5.4% in 2016, to €89.2 million, it actually registered a 2.4% increase year-on-year in like-for-like terms, since higher exports and a general reduction in energy expenses offset the effect of slack demand in Spain. The reduction in Construction was mainly due to the decline in revenues mentioned above.

% EBITDA by Business Area



As a result, at 31 December 2016, the Environmental Services and Water areas accounted for 80.4% of Group EBITDA, while 19.6% came from cyclical businesses, linked to demand for infrastructure and building.

4.3 EBIT

EBIT amounted to €93.6 million, compared with €323.8 million in 2015. The difference between years is attributable mainly to two factors: one was the impairment of goodwill in the Cement area in September, amounting to €299.9 million (€187.2 million in the Cement area and the remainder in the stake in the parent company) to reflect the impact on this item of the delay in the demand recovery in Spain, attributable primarily to the decline in public expenditure this year. The other was an extraordinary provision of €53.4 million booked in the Construction area in May to adjust overheads to the ongoing decline in infrastructure investment in Spain. Adjusting for those two extraordinary items and other lesser factors such as the €54.3 million adjustment to the Cement interest in the US after the loss of control, EBIT would have increased by 21.2% with respect to 2015.

4.4 Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations were negative in the amount of €161.2 million, compared with €5.7 million in 2015, due to the extraordinary provisions discussed in the section on EBIT and to the following items:

4.4.1 *Financial income*

Net financial expenses declined by 18.4% year-on-year in 2016, to €289.1 million, mainly as a result of higher financial revenues and the progressive impact of measures to reduce debt and the associated interest expenses. The financial result in the first half of 2016 included a positive contribution of €58 million from the reduction of the Tranche B debt in April by means of a Dutch auction, while the reduction in interest expenses includes the decline in the Cement area and the effect of repaying much of the FCC, S.A. convertible bond.

4.4.2 *Other financial results*

This item, amounting to €-27.1 million (vs. €-10.6 million in 2015), reflects the €22.1 million variation in the value of financial instruments and other impairments that were partly offset by the €13.8 million gain on the sale of a 10% stake in the Malaga Metro concession.

4.4.3 *Equity-accounted affiliates*

Companies accounted for using the equity method contributed €56.4 million in income, mainly as a result of the haircut on Realia debt agreed upon with the lenders, which enabled this investee to contribute €31.5 million, and the €16.4 million in dividends received from a stake in a renewable energy company.

4.5 Income attributable to equity holders of the parent company

Net attributable income in 2016 amounted to €-165.2 million, compared with a loss of €-46.3 million in 2015. This was the result of incorporating the following items into EBT:

4.5.1 *Income tax*

The corporate income tax expense amounted to €33.8 million in 2016, contrasting with revenue of €40.8 million in 2015 due to application of tax credits in the Environmental Services area.

4.5.2 *Income from discontinued operations*

Discontinued operations contributed a loss of €7.3 million, corresponding to GVI (unchanged since the beginning of the year), due to the impact on earnings of the sale of GVI in the first quarter, mainly from the cancellation of the related financial instruments.

4.5.3 Non-controlling interests

Non-controlling interests, concentrated mainly in the Cement business, were attributed a loss of €41.9 million, compared with €7.9 million in 2015. The increase is due to their share of the impairment of goodwill booked in this area in the third quarter.

5. BALANCE SHEET

(M€)	Dec. 16	Dec. 15	Change (M€)
Intangible assets	2,536.3	3,026.4	(490.1)
Property, plant and equipment	2,534.6	3,146.4	(611.8)
Equity-accounted affiliates	669.0	587.0	82.0
Non-current financial assets	322.3	392.8	(70.5)
Deferred tax assets and other non-current assets	946.6	1,031.8	(85.2)
Non-current assets	7,008.7	8,184.3	(1,175.6)
Non-current assets available for sale	14.9	235.9	(221.0)
Inventories	581.6	648.6	(67.0)
Trade and other accounts receivable	1,754.7	2,217.1	(462.4)
Other current financial assets	263.7	230.7	33.0
Cash and cash equivalents	1,146.1	1,345.5	(199.4)
Current assets	3,761.1	4,677.8	(916.7)
TOTAL ASSETS	10,769.8	12,862.1	(2,092.3)
Equity attributable to equity holders of parent company	791.3	280.7	510.6
Non-controlling interests	145.5	206.5	(61.0)
Net equity	936.8	487.2	449.6
Grants	225.5	248.3	(22.8)
Non-current provisions	1,175.6	1,254.1	(78.5)
Long-term interest-bearing debt	4,590.1	5,612.2	(1,022.1)
Other non-current financial liabilities	69.2	66.6	2.6
Deferred tax liabilities and other non-current liabilities	535.3	536.7	(1.4)
Non-current liabilities	6,595.6	7,717.8	(1,122.2)
Liabilities linked to non-current assets available for sale	14.9	15.9	(1.0)
Non-current provisions	202.9	194.7	8.2
Short-term interest-bearing debt	411.0	1,437.6	(1,026.6)
Other current financial liabilities	82.2	91.8	(9.6)
Trade and other accounts payable	2,526.3	2,917.0	(390.7)
Current liabilities	3,237.3	4,657.0	(1,419.7)
TOTAL LIABILITIES	10,769.8	12,862.1	(2,096.0)

5.1 Equity-accounted affiliates

The investment in equity-accounted companies (€669.0 million) comprised the following at 31 December 2016:

- 1) €206.0 million for the 36.9% stake in Realia, which increased substantially due to two capital increases and to income for the year.
- 2) €74.7 million for investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).
- 3) €77.3 million for holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).
- 4) €48.8 million for the 35.6% 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 at 2015 year-end.
- 5) €262.2 million for the 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 year was practically unchanged and related entirely to the residual business of Cemusa in Portugal. Those assets had associated liabilities for the same amount: €14.9 million.

The decline in the balance with respect to 2015 year-end is due to completion of the sale of 50% of GVI in the first quarter of 2016.

5.3 Cash and cash equivalents

The reduction of €199.4 million in 2016, to a balance of €1,146.1 million, is due mainly to the inflow of funds from the capital increase completed in March (€709.5 million), which was amply offset by repayment of €417.7 million of principal of the FCC, S.A. convertible bond in the fourth quarter of 2016, and by the use of part of the funds from the capital increase to cancel the former financing of the Cement area in the third quarter, as well as partial repayment of the FCC, S.A. syndicated loan in the second quarter.

5.4 Net equity

At 2016 year-end, net equity amounted to €936.8 million, a sizeable increase over 2015 year-end due to the additional capital raised in the period, which strengthened the Group's structure and finances and absorbed the impairment booked in the Cement area in the third quarter in response to the delay in the projected recovery in demand in Spain.

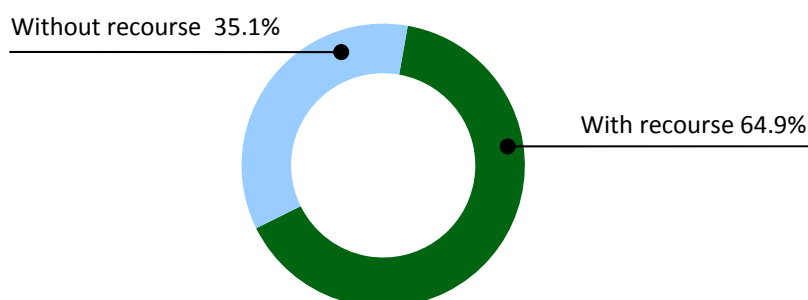
5.5 Net interest-bearing debt

(M€)	Dec. 16	Dec. 15	Change (M€)
Bank borrowings	4,536.1	5,647.7	(1,111.6)
Debt instruments and other loans	232.4	1,088.5	(856.1)
Accounts payable due to financial leases	49.4	62.1	(12.7)
Derivatives and other financial liabilities	183.1	251.5	(68.4)
Gross interest-bearing debt	5,001.1	7,049.8	(2,048.7)
Cash and other current financial assets	(1,410.1)	(1,576.2)	166.1
Net interest-bearing debt	3,590.9	5,473.6	(1,882.7)
<i>With recourse</i>	2,329.1	3,254.3	(925.2)
<i>Without recourse</i>	1,261.8	2,219.3	(957.5)

At the end of 2016, net interest-bearing debt amounted to €3,590.9 million, a notable €1,882.7 million reduction with respect to 2015 year-end. This reduction was the result of several factors, including notably: The net influx of cash (€708 million) from the capital increase performed in March. The effect of deconsolidating the debt connected with the cement business in the US after FCC lost control (€436.4 million at 2015 year-end). Receipt of the advance for completion and commissioning of the Buckinghamshire recycling and incineration plant in June (€219.6 million), and realisation of customer receivables. Other current financial assets increased by €106 million due to the second instalment (due in February 2017) of the price of the sale of GVI, which took place in the first quarter of 2016.

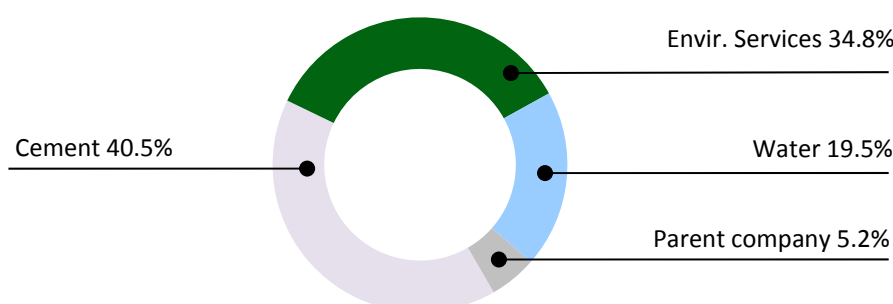
Gross interest-bearing debt, which is the basis of financial expenses, declined substantially, by €2,048.7 million to €5,001.1 million, due mainly to repayment of €386.4 million of Tranche B (including a 15% haircut), repayment of the debt associated with the Buckinghamshire project, repayment of Tranche A of the syndicated loan (€140.9 million), repayment of debt at the Cement division parent company (€284 million) under the new funding structure instituted in the third quarter, repayment of the bulk of the FCC, S.A. convertible bond (€417.7 million of principal and €10 million of accrued coupon), and deconsolidation of debt in the US Cement operations, as discussed earlier.

Debt with and without recourse



Net financial debt is divided between corporate debt (64.9%) and debt without recourse (35.1%). Net debt with recourse amounted to €2,329.1 million at 31 December 2016, including mainly legacy debt from the acquisition of a number of operating companies in the various divisions, excluding Cement, structured as a syndicated loan.

Net debt without recourse, by area



Net interest-bearing debt without recourse to the Group parent company amounted to €1,261.8 million at year-end. A large proportion of that is connected to the Cement area (€511.4 million). Environmental Services accounts for €439 million (€342.1 million in the UK, €70.7 million in Central Europe and the remainder in other waste treatment and recycling plants in Spain and Portugal). Net debt without recourse in the Water area amounted to €246.2 million, of which €181.7 million relate to the Czech Republic and the other €64.5 million to a number of end-to-end water concessions in Spain. The €65.2 million at parent company level are 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 €151.4 million at 2016 year-end. It includes financial liabilities such as those associated with hedging derivatives, suppliers of fixed assets, and deposits and guarantees received.

6. Cash flow

(M€)	Dec. 16	Dec. 15	Chg. (%)
EBITDA	833.7	814.6	2.3%
(Increase)/decrease in working capital	331.4	(35.7)	n/a
Income tax (paid)/received	(48.6)	(77.2)	-37.0%
Other operating cash flow	(91.6)	(101.4)	-9.7%
Operating cash flow	1,024.9	600.3	70.7%
Investment payments	(448.6)	(431.9)	3.9%
Divestment receipts	294.2	38.5	n/a
Other investing cash flow	59.7	(19.2)	n/a
Investing cash flow	(94.7)	(412.6)	-77.0%
Interest paid	(316.3)	(269.5)	17.4%
(Payment)/receipt of financial liabilities	(1,452.7)	(90.2)	n/a
Other financing cash flow	677.7	(32.8)	n/a
Financing cash flow	(1,091.3)	(392.5)	178.0%
Exchange differences, change in consolidation scope, etc.	(38.3)	13.1	n/a
Increase/(decrease) in cash and cash equivalents	(199.4)	(191.6)	4.1%

6.1 Operating cash flow

Operating cash flow improved substantially in 2016 to a positive figure of €1,024.9 million, a sizeable €424.6 million improvement on the figure one year earlier.

This was due to a high level of cash conversion and a strong positive variation in working capital. It also reflects the effect of the reduction of accounts payable in June following handover of the recycling plant in the UK by the Environmental Services division. This improvement, coupled with higher realisation of customer receivables, amply offset the payment of €126.3 million for deferral of prior years' taxes. The refund in 2016 is deemed to conclude the payments for these deferrals, and no amount remains outstanding.

(M€)	Dec. 16	Dec. 15	Change (M€)
Environmental services	326.2	(71.7)	397.9
Water	21.6	(3.3)	24.9
Construction	41.0	71.0	(30.0)
Cement	(10.4)	9.9	(20.3)
Corporate services and adjustments	(47.0)	(41.6)	(5.4)
(Increase)/decrease in working capital	331.4	(35.7)	367.1

Other operating cash flow reflects the application of €73.1 million in provisions in the Construction area, linked partly to the structure adjustment plan that was completed in 2016, as well as other lesser amounts in the Water and Environmental Services areas.

6.2 Investing cash flow

Investing cash flow amounted to €94.7 million, contrasting with a negative €412.6 million in 2015.

Investment payments in 2016 amounted to €448.6, similar to 2015, though this year it included €87.3 million (in proportion to the Company's 36.9% stake) of two capital increases completed at Realia in the year. Investment in Environmental Services, one of the most capital-intensive areas, declined to €216.5 million, from €270.7 million the previous year, due to completion of construction of the Buckinghamshire (UK) waste incineration plant in May and efforts to contain costs throughout this division.

Receipts increased substantially to €294.2 million in 2016, compared with €38.5 million in 2015. This increase was due to a number of divestments. In Corporate Services, the first instalment for the sale of GVI, amounting to €103.8 million (to be followed by a second instalment in February 2017), plus €76 million received for a number of concession divestments. Additionally, it includes €63.4 million in the Environmental Services area as the advance received for the financial asset corresponding to completion and commissioning of the recycling plant in the UK.

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

(M€)	Dec. 16	Dec. 15	Change (M€)
Environmental services	(150.9)	(250.1)	99.2
Water	(55.0)	(71.3)	16.3
Construction	(22.7)	(40.1)	17.4
Cement	0.9	(12.6)	13.5
Corporate services and adjustments	73.3	(19.3)	92.6
Net investments (Payments - Receipts)	(154.4)	(393.4)	239.0

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 divisions.

6.3 Financing cash flow

Consolidated financing cash flow amounted to €1,091.3 million in 2016, far higher than the 2015 figure (€392.5 million). That figure includes the aforementioned cash outflows, i.e. repayment of €417.7 million of the FCC, S.A. convertible bond and €140.9 million in principal of the parent company's syndicated loan, repayment of the bulk of Tranche B of that loan, by means of a Dutch auction, for €315.3 million, repayment of €284 million due to cancellation of the pre-existing funding of the Cement division's parent company, and repayment of €219.6 million in debt in the Environmental Services division as a result of collecting the advance in June upon entry into service of a treatment and recycling plant in the United Kingdom.

Cash inflows include €708 million raised in the capital increase on 4 March 2016.

Interest expenses amounted to €316.3 million in 2016, compared with €269.5 million in 2015; this variation is due to the substantial reduction in debt in 2016 and to the calendar of accruals and actual payment of debt servicing costs.

6.4 Exchange differences, change in consolidation scope, etc.

This item was negative in the amount of €38.3 million in 2016, contrasting with the positive difference of €13.1 million in 2015. This change is due to the impact of currency fluctuations on cash, concentrated in the Environmental Services area (UK) and, to a lesser extent, in other markets in the Water division.

6.5 Variation in cash and cash equivalents

Combining the foregoing flows, and broadly as a result of the reduction in gross interest-bearing debt, the Group's cash position was reduced by €199.4 million with respect to 2015 year-end, to €1,146.1 million at 31 December 2016.

7. BUSINESS PERFORMANCE

7.1 Environmental services

The Environmental Services area accounts for 52.6% of FCC Group EBITDA. A total of 95.3% of its activities involve municipal solid waste collection, treatment and disposal, along with other municipal services such as street cleaning and green area upkeep. The other 4.7% corresponds to industrial waste collection and management.

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

7.1.1 Results

(M€)	Dec. 16	Dec. 15	Chg. (%)
Revenues	2,728.1	2,855.6	-4.5%
<i>Environment</i>	2,598.7	2,731.5	-4.9%
<i>Industrial Waste</i>	129.4	124.1	4.3%
EBITDA	438.7	425.3	3.2%
<i>EBITDA margin</i>	16.1%	14.9%	1.2 p.p.
EBIT	221.8	191.5	15.8%
<i>EBIT margin</i>	8.1%	6.7%	1.4 p.p.

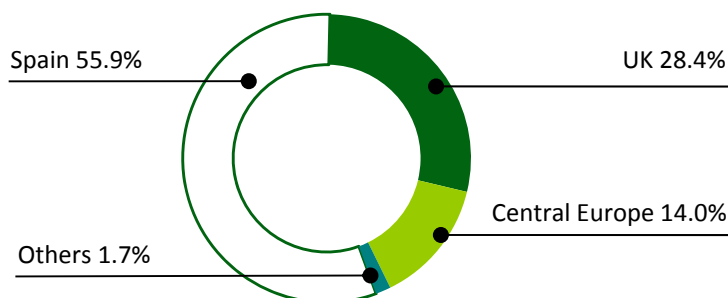
Revenues in the Environmental Services area declined by 4.5% to €2,728.1 million in 2016, mainly as a result of a reduction in revenues in the United Kingdom.

Revenue breakdown, by region			
(M€)	Dec. 16	Dec. 15	Chg. (%)
Spain	1,526.0	1,518.1	0.5%
United Kingdom	776.0	926.9	-16.3%
Central Europe	381.7	369.0	3.4%
Portugal, etc.	44.4	41.6	6.7%
Total	2,728.1	2,855.6	-4.5%

Revenues in Spain amounted to €1,526 million, in line with the previous year, whereas revenues in the UK declined by 16.3% to €776 million due mainly to the negative effect of sterling's depreciation (-11.4%) and, to a lesser extent, to completion of construction of the Buckinghamshire waste incineration plant, which came into service in June under a 30-year concession.

Revenues in Central Europe increased by 3.4% to €381.7 million, supported basically by expanding business in the Czech Republic and, to a lesser extent, in Austria. Revenues in other markets increased by 6.7% due to the contribution by the United States — mainly revenues from the waste collection contract in Orange County (Florida).

Revenue breakdown, by region



EBITDA amounted to €438.7 million, a 3.2% increase on 2015, favoured by a 1.2 percentage point improvement in the EBITDA margin to 16.1%. This increase in the margin, achieved despite depreciation of the pound sterling, is due, among other factors, to the higher contribution resulting from entry into service of the Buckinghamshire waste incineration plant, as well as the effect of winding down the landfill business in the UK.

EBIT amounted to €221.8 million, a 15.8% increase year-on-year, due mainly to lower depreciation and amortisation.

Backlog breakdown, by region

(M€)	Dec. 16	Dec. 15	Chg. (%)
Spain	6,663.9	7,112.0	-6.3%
International	4,487.8	4,713.7	-4.8%
Total	11,151.7	11,825.7	-5.7%

The area's backlog declined by 5.7% with respect to 2015 year-end. The backlog declined by 6.3% in Spain due to a lower order intake, while it fell by 4.8% in the international areas, basically as a result of sterling's depreciation against the euro, which had an impact of close to €570 million. The contract to build and operate the Edinburgh and Midlothian (Scotland) incineration plant, worth €511 million, was added to the backlog in the fourth quarter after it achieved financial completion. The total backlog amounts to over 4 times revenues in the last twelve months.

7.1.2 Cash flow

(M€)	Dec. 16	Dec. 15	Chg. (%)
EBITDA	438.7	425.3	3.2%
(Increase)/decrease in working capital	326.2	(71.7)	n/a
Income tax (paid)/received	(41.6)	(26.4)	57.6%
Other operating cash flow	(7.6)	7.0	n/a
Operating cash flow	715.7	334.2	114.2%
Investment payments	(216.5)	(270.7)	-20.0%
Divestment receipts	65.6	20.6	n/a
Other investing cash flow	7.6	16.2	-53.1%
Investing cash flow	(143.3)	(233.9)	-38.7%
Interest paid	(85.2)	(95.4)	-10.7%
(Payment)/receipt of financial liabilities	(506.2)	(6.3)	n/a
Other financing cash flow	(54.5)	(120.5)	-54.8%
Financing cash flow	(645.9)	(222.2)	190.7%
Exchange rate variations, etc.	(30.5)	11.1	n/a
Increase/(decrease) in cash and cash equivalents	(104.0)	(110.8)	-6.1%

(M€)	Dec. 16	Dec. 15	Change (M€)
Without recourse	439.0	659.6	(220.6)

Operating cash flow increased notably to €715.7 million, €381.5 million more than in 2015. This was due mainly to an improvement in EBITDA and a significant reduction in working capital, which includes the €156.2 million advance collected upon completion of development of the Buckinghamshire incineration plant, and a larger volume of non-recourse factoring.

Investment payments amounted to €216.5 million, 20% less than in 2015, mainly as a result of the lower impact of construction of the Buckinghamshire plant, and also of the containment of capital expenditure in this area as a whole.

Divestment receipts amounted to €65.6 million, related almost entirely, once again, to the part of the Buckinghamshire plant that was recognised as a financial asset under development at the end of the first half of 2016, as required by the accounting standards.

Net financial debt without recourse in this area declined sharply, by €220.6 million, driven by receipt of the advance associated with the Buckinghamshire incinerator, and also the positive effect of sterling's depreciation. Of the total outstanding debt, €342.1 million relates to the UK, €70.7 million to Central Europe and the remaining €26.2 million to waste treatment and recycling plants in Spain and Portugal.

7.2 End-to-End Water Management

The Water area accounted for 27.8% of FCC Group EBITDA in the period. Public concessions and end-to-end water management (capture, purification, distribution and treatment) account for 89.6% of total revenues, and Technology and Networks (design, engineering and outfitting of water infrastructure) account for the other 10.4%.

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

7.2.1 Results

(M€)	Dec. 16	Dec. 15	Chg. (%)
Revenues	1,009.8	1,033.5	-2.3%
<i>Concessions and services</i>	904.3	872.5	3.6%
<i>Technology and networks</i>	105.5	161.0	-34.5%
EBITDA	231.4	227.5	1.7%
<i>EBITDA margin</i>	22.9%	22.0%	0.9 p.p.
EBIT	144.1	145.3	-0.8%
<i>EBIT margin</i>	14.3%	14.1%	0.2 p.p.

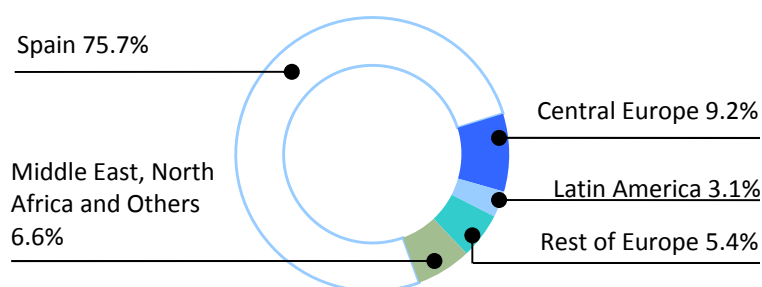
This area's revenues declined by 2.3% year-on-year, to €1,009.8 million, mainly as a result of the decline in the technology and networks business in the domestic market as public administrations cut back investment in water infrastructure. However, this decline was partly offset by the incipient contribution from the contracts obtained recently in Latin America and the Middle East.

Revenue breakdown, by region			
(M€)	Dec. 16	Dec. 15	Chg. (%)
Spain	764.8	779.8	-1.9%
Central Europe	93.2	92.1	1.2%
Latin America	31.7	62.0	-48.9%
Rest of Europe (Portugal and Italy)	54.4	62.8	-13.4%
Middle East, North Africa and Others	65.8	36.8	78.8%
Total	1,009.8	1,033.5	-2.3%

Central Europe increased by 1.2% as a result of updated tariffs and higher billing volumes in the water contract in the Czech Republic, operated through subsidiary SmVAK.

The decline in revenues in Latin America is due to the completion of several major projects in Mexico. However, this effect was broadly offset by growth in the Middle East and North Africa due to work on networks in Riyadh and a treatment plant in Djerba (Tunisia).

Revenue breakdown, by region



Despite the decline in revenues, EBITDA increased by 1.7% with respect to 2015, to €231.4 million, due to a significant increase in the EBITDA margin, to 22.9%. This was attributable to the combined effect of a lower contribution by the technology and network business and an increase in the profitability of the concession business, mainly as a result of improvements in contract operating efficiency and in structural and support expenses.

Backlog breakdown, by region

(M€)	Dec. 16	Dec. 15	Chg. (%)
Spain	8,753.0	9,924.2	-11.8%
International	6,202.9	4,519.5	37.2%
Total	14,955.9	14,443.7	3.5%

The backlog expanded by 3.5% with respect to 2015 year-end, to €14,955.9 million, i.e. close to 15 times revenues in the last 12 months. The international backlog expanded by 37.2% to €6,202.9 million, driven by the extension of business in the Czech Republic, a new contract to build a desalination plant in Egypt (€114.6 million), and another €148 million for the construction and operation of two waste water treatment plants in Colombia.

7.2.2 Cash flow

(M€)	Dec. 16	Dec. 15	Chg. (%)
EBITDA	231.4	227.5	1.7%
(Increase)/decrease in working capital	21.6	(3.3)	n/a
Income tax (paid)/received	(31.6)	(38.6)	-18.1%
Other operating cash flow	(3.3)	18.0	-118.3%
Operating cash flow	218.1	203.6	7.1%
Investment payments	(55.4)	(78.8)	-29.7%
Divestment receipts	0.4	7.5	-94.7%
Other investing cash flow	(58.9)	(88.4)	-33.4%
Investing cash flow	(113.9)	(159.7)	-28.7%
Interest paid	(37.6)	(37.2)	1.1%
(Payment)/receipt of financial liabilities	(47.8)	38.3	n/a
Other financing cash flow	(10.8)	(69.9)	-84.5%
Financing cash flow	(96.2)	(68.8)	39.8%
Exchange rate variations, etc.	(6.6)	(2.8)	135.7%
Increase/(decrease) in cash and cash equivalents	1.4	(27.7)	-105.1%

(M€)	Dec. 16	Dec. 15	Change (M€)
Without recourse	246.2	249.8	(3.6)

Operating cash flow increased by 7.1% to €218.1 million due to the improvement in working capital, favoured by efforts made in this area to reduce the balance of customer receivables. The change includes the payment of €16.9 million of deferred taxes, compared with €22.9 million in 2015.

Payments for investments declined to €55.4 million, while other investing cash flow reflected a lower cash outflow for loans to other Group companies. This effect is eliminated at Group level and, consequently, has no impact on the consolidated cash flow statements.

Net debt without recourse declined slightly in 2016, to €246.2 million. Of that amount, €181.7 million is related to the business in the Czech Republic and the other €64.5 million 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€)	Dec. 16	Dec. 15	Chg. (%)
Revenues	1,652.6	1,992.9	-17.1%
EBITDA	55.0	75.8	-27.4%
<i>EBITDA margin</i>	3.3%	3.8%	-0.5 p.p
EBIT	(47.4)	(19.2)	146.9%
<i>EBIT margin</i>	-2.9%	-1.0%	-1.9 p.p

This area's revenues amounted to €1,652.6 million in 2016, down 17.1% year-on-year due almost entirely to the 35.4% decline in Spain. As in previous quarters, this reduction is due to the ongoing cutback in government expenditure on infrastructure in Spain.

The fall in revenues in Spain is partly offset by revenues from other countries, which shrank by a more moderate 2.1% and now account for 64.8% of the area's total. The reduction in international revenues was a temporary effect, which lessened steadily as the year advanced, due to the completion of certain projects that were not fully offset by the commencement of new projects.

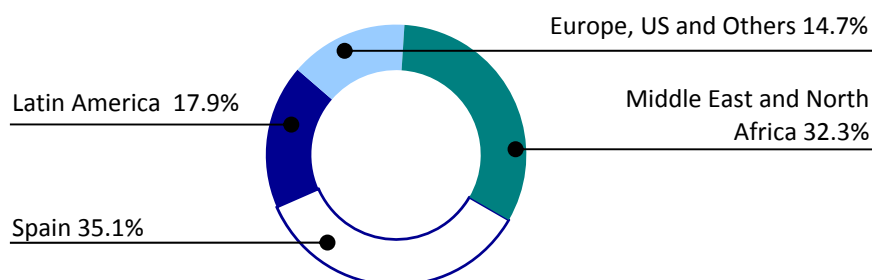
Revenue breakdown, by region			
(M€)	Dec. 16	Dec. 15	Chg. (%)
Spain	580.8	898.7	-35.4%
Middle East and North Africa	534.3	439.6	21.5%
Latin America	295.5	419.4	-29.5%
Europe, US, etc.	242.0	235.2	2.9%
Total	1,652.6	1,992.9	-17.1%

Revenues in the Middle East and North Africa continued to rise rapidly (+21.5%), mainly due to the execution of the Riyadh Metro project.

Revenues in Latin America continued to decline, as in previous periods, having fallen by 29.5% year-on-year due to the completion of major projects, such as Panama Metro Line 1, the Chucas hydroelectric dam, and the Panama Canal expansion. Nevertheless, the decline eased off as the year advanced due to the growing contribution from new projects, including notably Lima Metro in Peru and Panama Metro Line 2.

Revenues in Europe, the US and other markets increased by 2.9% due to the higher contribution from the Mersey and Gerald Desmond bridges, and to faster progress with a number of rail projects in Romania.

Revenue breakdown, by region



EBITDA amounted to €55.0 million, 27.4% less than in 2015. This was due to the continuing low volume of activity in the domestic market, recognition of losses on certain international projects, and certain provisions. Earnings recovered during the year, and margins improved slightly, which diluted the exceptional negative effects that were recognised in the year.

EBIT was negative in the amount of €47.4 million, due basically to a €53.4 million provision booked in May to adjust production resources to the decline in demand for infrastructure investment in Spain.

Backlog breakdown, by region

(M€)	Dec. 16	Dec. 15	Chg. (%)
Spain	1,038.7	1,358.8	-23.6%
International	3,443.6	4,871.5	-29.3%
Total	4,482.3	6,230.3	-28.1%

The area's backlog declined to €4,482.3 million, 28.1% less than at 2015 year-end. The decline in the backlog in Spain is due to persisting low demand for civil engineering. The reduction in the international backlog (-29.3% to €3,443.6 million) is due to the low order intake in the period, with bids being concentrated in large infrastructure projects, and also, to the readjustment caused by early completion of some projects in North Africa.

Backlog breakdown, by business segment

(M€)	Dec. 16	Dec. 15	Chg. (%)
Civil engineering	3,467.2	5,008.2	-30.8%
Building	654.9	907.2	-27.8%
Industrial projects	360.2	314.9	14.4%
Total	4,482.3	6,230.3	-28.1%

Civil engineering and industrial projects retained their importance, accounting for 85.4% of the total due to the increased order intake in connection with industrial facility projects, while building (almost entirely non-residential) accounted for the remaining 14.6%.

7.3.2 Cash flow

(M€)	Dec. 16	Dec. 15	Chg. (%)
EBITDA	55.0	75.8	-27.4%
(Increase)/decrease in working capital	41.0	71.0	-42.3%
Income tax (paid)/received	8.4	(25.6)	-132.8%
Other operating cash flow	(108.4)	(25.7)	n/a
Operating cash flow	(4.0)	95.5	-104.2%
Investment payments	(50.3)	(52.4)	-4.0%
Divestment receipts	27.6	12.3	124.4%
Other investing cash flow	(57.3)	130.9	-143.8%
Investing cash flow	(80.0)	90.8	-188.1%
Interest paid	(12.2)	(11.7)	4.3%
(Payment)/receipt of financial liabilities	70.9	(72.5)	-197.8%
Other financing cash flow	0.1	0.0	n/a
Financing cash flow	58.8	(84.2)	-169.8%
Exchange rate variations, etc.	3.5	(39.1)	-109.0%
Increase/(decrease) in cash and cash equivalents	(21.7)	63.0	-134.4%

The area's operating cash flow was negative in the amount of €4 million, contrasting with a positive €95.5 million in 2015. This was attributable mainly to the reduction in EBITDA coupled with less favourable performance by working capital. Additionally, other operating cash flow included the release of provisions in connection with the workforce adjustment that took place between May and December 2016, and the closure of certain projects.

Working capital in 2016 included a €29.4 million payment of taxes deferred in prior years, with the result that the Area is up to date with its tax obligations.

Investment payments amounted to €50.3 million, a 4.0% decline year-on-year, and include mainly the investment in specialised machinery for certain contracts, particularly underground civil engineering work, and investment payments in connection with companies in the area. The sale of various machinery assets provided €27.6 million in divestment proceeds in the period. Other investing cash flow, which amounted to €57.3 million, basically refers to changes in loans to Group companies.

7.4 Cement

The Cement area accounted for 10.7% of FCC Group EBITDA in 2016, through the 77.9% stake in Cementos Portland Valderrivas (CPV). This area produces mainly cement; it has seven factories in Spain and one in Tunisia.

7.4.1 Results

(M€)	Dec. 16	Dec. 15	Chg. (%)
Revenues	536.2	580.4	-7.6%
<i>Cement</i>	480.1	514.9	-6.8%
<i>Other</i>	56.1	65.5	-14.3%
EBITDA	89.2	94.3	-5.4%
<i>EBITDA margin</i>	16.6%	16.2%	0.4 p.p.
EBIT*	(120.4)	28.6	-521.0%
<i>EBIT margin</i>	-22.5%	4.9%	-27.4 p.p.

* Includes impairment at CPV amounting to €187.2 million

This area's revenues declined by 7.6% with respect to 2015, to €536.2 million, due to a decline of 6.8% in cement sales and of 14.3% in other businesses (concrete, mortar, aggregate and waste treatment). Revenues were affected by deconsolidation of the cement business in the United States (Giant Cement) as a result of dilution of FCC's stake in Cementos Portland Valderrivas to 45% and the resulting decision to recognise it by the equity method starting November.

Revenue breakdown, by region			
(M€)	Dec. 16	Dec. 15	Chg. (%)
Spain	185.5	197.2	-5.9%
US and Canada	186.1	212.8	-12.5%
Tunisia	68.7	80.3	-14.5%
UK and others	95.9	90.1	6.5%
Total	536.2	580.4	-7.6%

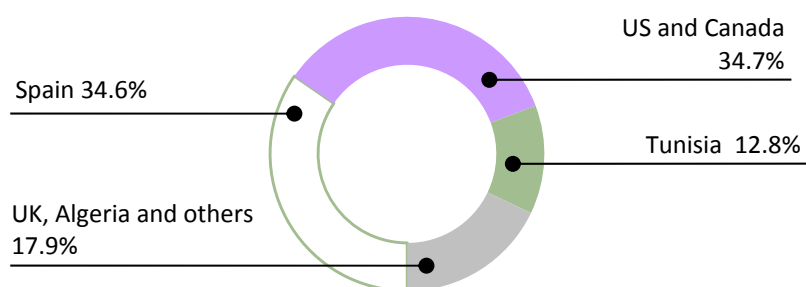
Revenues in Spain declined by 5.9%, due to the combination of slightly lower prices and a year-on-year decline in cement consumption due to shrinkage of the domestic market during the year.

Revenues fell by 12.5% in the United States and Canada due, as discussed in the previous point, to deconsolidating the US business in November, which had been providing more than one-third of the division's turnover. In the first nine months of 2016, revenues increased by 4.6% year-on-year, driven by a market recovery in terms of both cement volumes and prices.

Revenues declined by 14.5% in Tunisia, despite stable prices, because of the decline in domestic consumption and exports and, above all, of the dinar's 11% depreciation against the euro.

Revenues from exports to the UK and other markets increased by 6.5%, despite the adverse impact of the pound's depreciation, because of greater sales penetration in the UK.

Revenue breakdown, by region



EBITDA declined by 5.4% to €89.2 million, compared with €94.3 million in 2016. This decline was due mainly to the lower contribution from the business in the US, which was deconsolidated in November, and the negative impact of selling zero CO₂ emission rights in the period, contrasting with 3.9 million in 2015.

The Cement area recognised impairment of goodwill in the amount of €187.2 million in the third quarter, with the result that EBIT was negative in the amount of €120.4 million. This impairment, which has no impact on the area's cash flow, is due to the delay in the expected recovery by demand and prices in Spain caused by the additional setback in public expenditure this year. This item includes other income, including an accounting capital gain of €54.3 million as a result of the adjustment to the valuation of the stake in Giant Cement on changing it from global consolidation to the equity method.

7.4.2 Cash flow

(M€)	Dec. 16	Dec. 15	Chg. (%)
EBITDA	89.2	94.3	-5.4%
(Increase)/decrease in working capital	(10.4)	9.9	-205.1%
Income tax (paid)/received	0.2	(6.9)	-102.9%
Other operating cash flow	(4.2)	(10.7)	-60.7%
Operating cash flow	74.8	86.6	-13.6%
Investment payments	(11.9)	(16.8)	-29.2%
Divestment receipts	12.8	4.2	204.8%
Other investing cash flow	(2.5)	0.8	-412.5%
Investing cash flow	(1.6)	(11.8)	-86.4%
Interest paid	(94.0)	(94.0)	0.0%
(Payment)/receipt of financial liabilities	37.5	3.7	913.5%
Other financing cash flow	(20.2)	(2.3)	778.3%
Financing cash flow	(76.7)	(92.6)	-17.2%
Exchange rate variations, etc.	(2.1)	3.4	-161.8%
Increase/(decrease) in cash and cash equivalents	(5.6)	(14.4)	-61.1%

(M€)	Dec. 16	Dec. 15	Change (M€)
Without recourse	511.4	1,248.9	(737.5)

Operating cash flow amounted to €74.8 million, a 13.6% decline with respect to 2015, due mainly to a temporary negative variation in working capital that will reverse in the coming months.

Financing cash flow in 2016 includes both interest payments and the early repayment of Giant Cement's debt in October.

Capital expenditure kept pace with demand and was confined to preventative and maintenance expenses. Cash outflows under this heading in 2016 amounted to €11.9 million, compared with €16.8 million in 2015. Additionally, recovery of deposits and sureties as a result of refinancing the debt of this area's parent company resulted in divestment receipts amounting to €12.8 million, compared with €4.2 million in 2015.

The area's interest-bearing debt to third parties is without recourse to FCC. The €737.5 million reduction in this item with respect to 2015 year-end is due mainly to the partial repayment of the area parent company's syndicated loan in the third quarter, and to the deconsolidation of the debt associated with the US business after the stake in Giant Cement was diluted to 45%.

8. SHARE DATA

8.1 Share performance

	Jan. - Dec. 2016	Jan. - Dec. 2015
Closing price (€) ⁽¹⁾	7.5510	6.8178
<i>Change in the period</i>	<i>10.8%</i>	<i>(40.4%)</i>
High (€) ⁽¹⁾	9.3820	11.5757
Low (€) ⁽¹⁾	6.0387	5.4192
Average daily trading (shares)	1,679,079	1,952,572
Average daily trading (M€)	12.3	17.8
Market capitalisation at end of period (M€)	2,861	1,824
No. of shares outstanding	378,825,506	260,572,379

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

8.2 Dividends

No dividends were paid in the period.

8.3 Own shares

At 31 December 2016, the FCC Group held a total of 415,500 own shares directly and indirectly (0.11% of the company's capital).

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

Upon completion of the capital increase, on 4 March 2016, Inversora Carso announced a mandatory takeover bid for FCC; consequently, by virtue of section 2.b) of Rule 5 of CNMV Circular 3/2007, of 29 December, all operations under the liquidity contract were suspended from that date and continued to be suspended after the takeover had been settled, on 28 July. As a result, the liquidity contract was still suspended at the date of this report.

Explanatory note

EBITDA

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

Backlog

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

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

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

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

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

Once we have included a contract in our backlog, the value of pending production under that contract remains in backlog until fulfilled or cancelled. However, we do adjust the values of orders in 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.

9. Disclaimer

The financial information contained in this document was obtained from the consolidated financial statements as of 31 December 2016, prepared in accordance with the International Financial Reporting Standards (IFRSs) that had been adopted by the European Union at the end of the period, in conformity with Regulation (EC) no 1606/2002 of the European Parliament and of the Council of 19 July 2002,

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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10. CONTACT DETAILS

ECONOMIC & FINANCE AREA

CAPITAL MARKETS DEPARTMENT

> Postal address:	Avda. Camino de Santiago, 40 Edificio 2, Planta 2 - 28050- Madrid. SPAIN.
> Telephone:	902 109 845
> Web site:	www.fcc.es
> E-mail:	ir@fcc.es
