



Citizen Services

2017

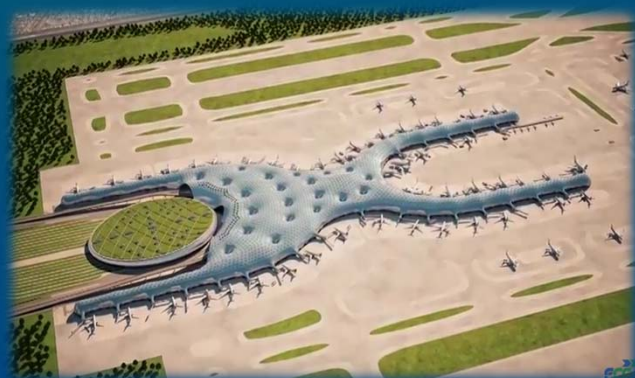
EARNINGS REPORT



Environmental



Water



Infrastructures



FCC wins tender to expand section I of the Inter-American Highway (Panama)

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1. SIGNIFICANT EVENTS

Pablo Colio appointed CEO of FCC

In September, the Board of Directors of FCC, S.A. voted unanimously to appoint Pablo Colio as Group CEO in place of Carlos Jarque, who stepped down as CEO on 12 September and continues as a proprietary director. The current CEO has extensive experience, including 23 years in a range of executive positions in the FCC Group.

FCC Aqualia repurchases 49% of its Czech Republic subsidiary from Mitsui

In November, FCC Aqualia reached an agreement with Mitsui to repurchase a 49% stake in the company that heads its water business in the Czech Republic for €92.5 million, thereby recovering 100% of that business and, indirectly, of its Czech subsidiary, SmVak. The transaction had not been completed at year-end as it was pending approval by the Czech authorities; that approval had been obtained by the date of this report, enabling the transaction to be completed.

FCC Aqualia chosen Water Company of the Year 2017

FCC Aqualia, the company that heads the Water division, was named Water Company of the Year 2017 last December by iAqua magazine. Aqualia was also the winner in five other categories.

FCC Environmental Services division obtains contract for a second recycling plant in the US

In December, the city of Houston, Texas, awarded FCC Environmental Services a contract to design, build and operate a recycling plant. The 15-year contract, with scope for a 5-year extension, represents a backlog of \$250 million; the plant will initially be able to process 120,000 tons per year. The deal further expands the company's footprint in the US, where revenues increased by 66.9% in 2017. Additionally, the Dallas plant, which is operational, was named Recycling Facility of the Year by the US National Waste & Recycling Association (NWRA).

Also notable was the entry into service in 2017 of the company's ninth energy-from-waste facility; managed by Mercia Waste Management, which is owned 50% by the FCC Group, the plant processes waste from Worcestershire and Herefordshire (UK).

FCC Construction ends 2017 with 7.2% growth in the overall backlog

At 2017 year-end, the Group's Construction area had an aggregate attributable backlog amounting to €4,935.3 million (€4,299.9 in consolidated terms plus €635.4 million attributable in other contracts not reflected in consolidated revenues). This increase was due notably to: (i) upgrade work on three sections of railway line in Transylvania (Romania), worth €599 million attributable to FCC; the work is to be completed in 36 months and establishes Romania as one of FCC's main markets in this business; and (ii) the adjudication to a consortium headed by Grupo Carso, in which FCC has a 14.3% stake, of a contract to build the terminal building at Mexico City's new international airport; the 44-month contract is worth over €3,900 million in total.

The backlog does not yet reflect the Corredor de las Playas I (Panama) contract, awarded in November to a consortium involving the company that heads the Construction division; the 20-month contract, in which the budget attributable to FCC Construction amounts to \$266 million, is to expand a section of the Inter-American Highway.

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

The novation of the conditions governing FCC, S.A.'s syndicated loan came into force on 8 June 2017; this is a milestone in the process of optimising the Group's finances and had an immediate positive impact on cash flow. The refinancing agreement was completed with the early repayment of €1,069 million of existing borrowings using the funds obtained from two corporate bond issues by FCC Aqualia, S.A. in the international market. The bonds, with nominal amounts of €700 million and €650 million, mature in 2022 and 2027 and pay coupons of 2% on average.

After this partial repayment, the Group's corporate financial net debt was reduced substantially to a balance of €1,283.1 million as of year-end, -44.9% less than at the end of 2016, and its main maturity was extended to five years, while the interest rate on the bulk was linked to Euribor plus a spread of 2.3%, i.e. about 170 basis points less than in the previous structure. This combined deal also substantially reduced the FCC Group's overall funding costs.

2. EXECUTIVE SUMMARY

- Net attributable profit amounted to €118 million in 2017, contrasting with the loss of €-161.6 million in 2016, which included goodwill impairment in the Cement business.
- Consolidated revenues amounted to €5,802 million, -2.5% less than in 2016. This reduction was due entirely to the deconsolidation of Giant (cement business in the US) since 1 November 2016, and to the euro's strength against most of the other currencies in which the Group operates. **Adjusting for both effects, the FCC Group's comparable revenues increased by 1.6% with respect to 2016.**
- Group EBITDA declined slightly, by -2.2%, to €815.4 million, compared with €833.7 million in 2016; however, **adjusting for the aforementioned revenue effects, EBITDA would have increased by +2.7%.** The EBITDA margin was 14.1%, slightly higher than in 2016. EBITDA performance reflected the outcome of the measures to improve efficiency in structural expenses (-16.8% year-on-year), synergies and productivity improvements.
- Net financial expenses declined by -10.9% to €257.7 million in the year, even though the 2016 figure included a positive contribution of €58 million as a result of refinancing transactions. **Excluding this effect, financial expenses declined by 41.2%.**
- Consolidated net interest-bearing debt was cut by 0.3%** to €3,579.5 million at 31 December 2017, a reduction of €11.4 million.

KEY FIGURES

(M€)	Dec. 17	Dec. 16	Chg. (%)
Net sales	5,802.0	5,951.6	-2.5%
EBITDA	815.4	833.7	-2.2%
<i>EBITDA margin</i>	14.1%	14.0%	0.1 p.p.
EBIT	435.9	93.6	N/A
<i>EBIT margin</i>	7.5%	1.6%	5.9 p.p.
Income attributable to equity holders of the parent company	118.0	(161.6)	N/A
Operating cash flow	768.9	1,024.9	-25.0%
Investing cash flow	(150.9)	(94.7)	59.3%
Net equity	938.5	872.9	7.5%
Net financial debt	3,579.5	3,590.9	-0.3%
Backlog	29,377.4	30,589.9	-4.0%

3. SUMMARY BY BUSINESS AREA

Area	Dec. 17	Dec. 16	Chg. (%)	% of 2017 total	% of 2016 total
(M€)					
REVENUES BY BUSINESS AREA					
Environment	2,736.0	2,728.1	0.3%	47.2%	45.8%
Water	1,025.9	1,009.8	1.6%	17.7%	17.0%
Construction	1,681.5	1,652.6	1.7%	29.0%	27.8%
Cement	340.4	536.2	-36.5%	5.9%	9.0%
Corp. services adjust.	18.2	24.9	-26.9%	0.3%	0.4%
Total	5,802.0	5,951.6	-2.5%	100.0%	100.0%
REVENUES BY GEOGRAPHIC AREA					
Spain	3,185.2	3,072.5	3.7%	54.9%	51.6%
United Kingdom	755.1	889.2	-15.1%	13.0%	14.9%
Middle East& Africa	653.9	716.2	-8.7%	11.3%	12.0%
Rest of Europe and RoW	463.1	428.4	8.1%	8.0%	7.2%
Latin America	414.5	356.0	16.4%	7.1%	6.0%
Czech Republic	264.4	241.6	9.4%	4.6%	4.1%
US and Canada	65.7	247.7	-73.5%	1.1%	4.2%
Total	5,802.0	5,951.6	-2.5%	100.0%	100.0%
EBITDA*					
Environment.	425.8	438.7	-2.9%	52.2%	52.6%
Water	241.5	231.4	4.4%	29.6%	27.8%
Construction	70.3	55.0	27.8%	8.6%	6.6%
Cement	57.8	89.2	-35.2%	7.1%	10.7%
Corp. services and adjust.	20.0	19.4	3.1%	2.5%	2.3%
Total	815.4	833.7	-2.2%	100.0%	100.0%
EBIT					
Environment	203.4	221.8	-8.3%	46.7%	N/A
Water	153.2	144.1	6.3%	35.1%	N/A
Construction	84.8	(47.4)	N/A	19.5%	N/A
Cement	26.1	(120.4)	-121.7%	6.0%	N/A
Corp. services and adjust.	(31.6)	(104.5)	-69.8%	-7.2%	N/A
Total	435.9	93.6	N/A	100.0%	N/A
NET FINANCIAL DEBT*					
With recourse	1,283.1	2,329.1	-44.9%	35.8%	64.9%
Without recourse					
Environment	374.4	439.0	-14.7%	10.5%	12.2%
Water	1,383.8	246.2	462.1%	38.7%	6.9%
Construction	0.0	0.0	N/A	0.0%	0.0%
Cement	475.6	511.4	-7.0%	13.3%	14.2%
Corporate	62.6	65.2	-4.0%	1.7%	1.8%
Total	3,579.5	3,590.9	-0.3%	100.0%	100.0%
BACKLOG*					
Environment	10,285.9	11,151.7	-7.8%	35.0%	36.5%
Water	14,791.6	14,955.9	-1.1%	50.4%	48.9%
Construction	4,299.9	4,482.3	-4.1%	14.6%	14.7%
Total	29,377.4	30,589.9	-4.0%	100.0%	100.0%

* See page 24 for a definition of the calculation in accordance with ESMA rules (2015/1415en).

NOTE: The Cement area in 2017 does not include the US business, which was deconsolidated on 1 November 2016

4. INCOME STATEMENT

(M€)	Dec. 17	Dec. 16	Chg. (%)
Net sales	5,802.0	5,951.6	-2.5%
EBITDA	815.4	833.7	-2.2%
EBITDA margin	14.1%	14.0%	0.1 p.p.
Depreciation and amortisation	(370.8)	(404.8)	-8.4%
Other operating income	(8.7)	(335.3)	-97.4%
EBIT	435.9	93.6	N/A
EBIT margin	7.5%	1.6%	5.9 p.p.
Financial income	(257.7)	(289.1)	-10.9%
Other financial results	(28.9)	(22.2)	30.2%
Equity-accounted affiliates	33.9	56.4	-39.9%
Earnings before taxes (EBT) from continuing operations	183.2	(161.2)	N/A
Corporate income tax expense	(59.6)	(35.0)	70.3%
Income from continuing operations	123.6	(196.2)	N/A
Income from discontinued operations	0.0	(7.3)	N/A
Net income	123.6	(203.5)	N/A
Non-controlling interests	(5.5)	41.9	N/A
Income attributable to equity holders of the parent company	118.0	(161.6)	N/A

4.1 Net sales

The Group's consolidated revenues declined by 2.5% in 2017 to €5,802 million, as a result mainly of deconsolidating the US cement business in November 2016 and, to a lesser extent, of the depreciation of certain currencies against the euro, principally the sterling pound (-6.5% year-on-year). Adjusting for both effects, consolidated revenues would have increased by 1.6%.

The Water business increased revenues steadily during the year (+1.6%) despite the decline in the Technology and Networks area (waterworks design, engineering and equipment) caused by the completion of certain projects and lower activity in certain projects, in the international arena in both cases. There was a slight increase (+0.3%) in revenues in Environmental Services, hampered by the aforementioned negative exchange rate effect in the UK (-€50.6 million in the year), which was partly offset by greater activity by the recycling plants, new contracts in Spain and the US, and increased activity in all Central European markets.

Infrastructure activities include a 1.7% increase in Construction revenues due to expanded activity on projects in Spain and some other countries, including notably Panama and Qatar, while the 36.5% decline in the Cement area is due almost entirely to deconsolidation of Giant in the US. In comparable zones, Cement revenues reflected an improvement in Spain (+9.4%) and a decline in the Tunisian market and in exports to neighbouring countries, plus a deterioration of the Tunisian currency's exchange rate against the euro.

Revenue breakdown, by region			
(M€)	Dec. 17	Dec. 16	Chg. (%)
Spain	3,185.2	3,072.5	3.7%
United Kingdom	755.1	889.2	-15.1%
Middle East & Africa	653.9	716.2	-8.7%
Rest of Europe and RoW	463.1	428.4	8.1%
Latin America	414.5	356.0	16.4%
Czech Republic	264.4	241.6	9.4%
US and Canada	65.7	247.7	-73.5%
Total	5,802.0	5,951.6	-2.5%

Revenues increased by 3.7% in Spain to €3,185.2 million, supported by growth in all business areas. In particular, Cement registered a 9.4% increase due to the revival of private sector demand during the year, while Construction expanded by 5%, broadly as a result of more private sector business. Water increased revenues by 3.4%, due to growth in water demand in certain areas, particularly on the coast, and Environmental Services by 2.8% because of the start-up of some contracts and the expansion of others.

Latin America recovered, as revenues increased by 16.4% due to a larger contribution from certain construction projects in Panama, such as Panama City Metro line 2 and a hospital, plus Lima Metro in Peru. In the Water division, the Networks and Technology area completed a number of water projects in Chile and Uruguay.

Revenues increased by 9.4% in the Czech Republic, with particularly good performance by Environmental Services, supported by large volumes of waste processing and certain special winter work contracts, accompanied by a higher contribution from the Water business.

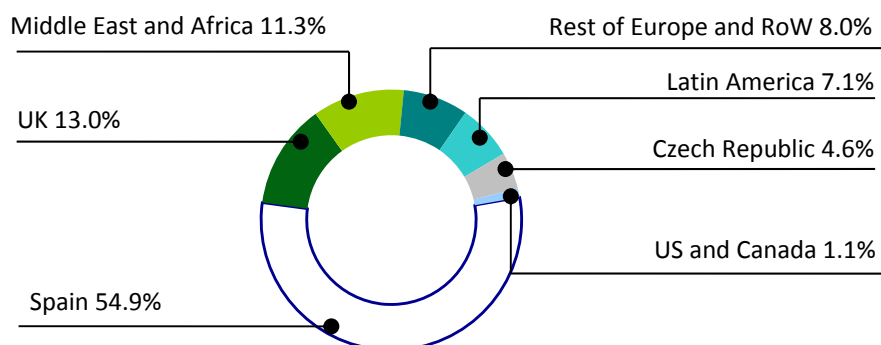
Revenues increased by 8.1% in the Rest of Europe and the Rest of the World (RoW), headed by good Environmental Services performance in Central Europe, where consolidated revenues surged 13% due to expanded activity in all the countries where the Group operates.

In the UK, revenues declined by 15.1% due basically to the exchange rate effect, as sterling depreciated by 6.5% with respect to 2016. The decline was also due, to a lesser extent, to the reduction in landfill tax receipts collected for local authorities, partly offset by a higher revenue contribution from operating energy-from-waste plants. The Construction division completed construction of the Mersey Gateway Bridge in the second half of the year.

Revenues in the Middle East and Africa declined by 8.7% as a result of shrinkage in domestic sales by the Cement business in Tunisia and the steady depreciation of the Tunisian dinar against the euro, plus a reduction in exports to neighbouring countries. Additionally, the Construction area booked an adjustment to the degree of progress with the Riyadh Metro project.

In the United States and Canada, revenues declined 73.5% as a result of deconsolidating the parent company of the Cement business in that region in November 2016. Excluding that business, revenues in that region increased by 6.5% in like-for-like terms as a result of the entry into service of a number of waste collection and treatment contracts (Florida and Texas, respectively) in the Environmental Services area, which offset the slower progress by Construction given the advanced state of the projects in the region.

% Revenues by region



4.2 EBITDA

EBITDA amounted to €815.4 million in 2017, a 2.2% decline year-on-year due to the effects discussed earlier in the context of revenues; adjusting for them, EBITDA would have increased by +2.7%. The consolidated EBITDA margin increased to 14.1% due to higher operating profitability, synergies and a reduction in the Group's overall structural and administration expenses (-16.8%).

EBITDA performance by business area was as follows:

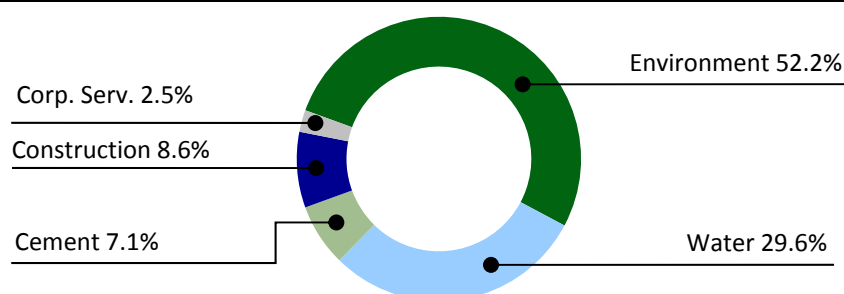
Environmental Services achieved €425.8 million in EBITDA, a 2.9% decline year-on-year. This reduction was due mainly to the exchange rate effect (pound sterling and Egyptian pound), which had an €8.8 million combined impact, and of the baseline effect of certain one-off items in 2016 (default interest and the Spanish tax on retail sale of hydrocarbons) plus other factors such as the increase in fuel costs.

The Water area reported €241.5 million in EBITDA, 4.4% more than in 2016, supported by higher returns in the concessions. The latter, plus the lower contribution by technology and networks, boosted the margin to 23.5% in the full year.

EBITDA in the Construction area amounted to €70.3 million, 27.8% more than in 2016, and the EBITDA margin improved to 4.2% in the year, a considerable increase on the 3.3% margin in 2016. This substantial improvement is also attributable to a sharp reduction in structural expenses achieved through the adjustments implemented last year.

The main impact in Cement was the deconsolidation on 1 November 2016 of the Cement business in the US; that business ceased to contribute to revenues and is now equity-accounted. This area's EBITDA declined by 35.2% to €57.8 million, as a result mainly of the elimination of the US contribution and, to a lesser extent, of operating performance in Tunisia, where sales declined and the Tunisian dinar depreciated sharply (-12.8%).

% EBITDA by Business Area



As a result of that performance by the Group's utilities areas, Environmental Services and Water accounted for 81.8% of Group EBITDA in 2017, compared with 18.2% from infrastructure construction, building and other lesser activities.

4.3 EBIT

EBIT amounted to €435.9 million, a sharp contrast with the €93.6 million in 2016. The difference between years is due mainly to the baseline effect attributable to the impairment of Cement area goodwill in the amount of €299.9 million that was recognised in September 2016. The increase in this item was also supported by an 8.4% decline in depreciation and amortisation due both to the deconsolidation in the Cement area and to the lower use of property, plant and equipment associated with Construction projects. This year's figures also include a €13.3 million extraordinary expense item due to the adjustment on the sale of industrial assets in the US in 2014.

4.4 Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations amounted to €183.2 million. due to EBIT performance and the effect of the following items:

4.4.1 Financial income

Net financial expenses declined by 10.9% year-on-year to €257.7 million in 2017. It is important to note that the financial result in 2016 included the positive impact of reducing the Tranche B debt by €58 million through a Dutch auction in April 2016. But for this effect, financial expenses would have declined by -41.2% year-on-year. The adjusted reduction is due to the progressive impact of measures to optimise the funding structure and its associated interest expenses. The positive effects of the financial optimisation measures, particularly the novation of the parent company's syndicated loan and the bonds issued by FCC Aqualia in June, will become visible progressively in the coming years.

4.4.2 Other financial results

This item amounted to €-28.9 million, contrasting with €-22.2 million in 2016. The main components of this item in 2017 were the significant exchange losses (€-47.3 million) and the positive impact (€16 million) of the outcome of arbitration in connection with the 2013 sale of Proactiva.

4.4.3 Equity-accounted affiliates

Companies carried by the equity method contributed €33.9 million to earnings in 2017, as a result of the positive ordinary contribution by affiliates, mainly in the Water, Environmental Services and transport concession businesses, offset by losses in the Cement business in the US (Giant Cement). This contrasts with the €56.4 million recognised in 2016, which included the

haircut agreed upon with Realia's lenders, which enabled that affiliate to contribute €31.5 million, and €16.4 million in dividends from a holding in a renewable energy company.

4.5 Income attributable to the parent company

Net attributable income in 2017 amounted to €118 million, contrasting sharply with the €-161.6 million in losses booked in 2016, and was due to the items referred to above plus the following factors:

4.5.1 *Income tax*

The corporate income tax expense amounted to €59.6 million, contrasting with €35 million last year.

4.5.2 *Income from discontinued operations*

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

4.5.3 *Non-controlling interests*

Non-controlling interests were attributed a profit of €5.5 million in 2017, concentrated in the Water division, contrasting with a loss of €-41.9 million in 2016. This sharp year-on-year difference is due to the aforementioned effect of non-controlling interests' share in the goodwill impairment recognised in the Cement area in 2016.

5. BALANCE SHEET

(M€)	Dec. 17	Dec. 16	Change (M€)
Intangible assets	2,485.2	2,536.3	(51.1)
Property, plant and equipment	2,459.0	2,534.6	(75.6)
Equity-accounted affiliates	650.6	669.0	(18.4)
Non-current financial assets	328.4	322.3	6.1
Deferred tax assets and other non-current assets	837.4	946.6	(109.2)
Non-current assets	6,760.8	7,008.7	(247.9)
Non-current assets available for sale	41.4	14.9	26.5
Inventories	569.6	581.6	(12.0)
Trade and other accounts receivable	1,798.3	1,754.7	43.6
Other current financial assets	158.6	263.7	(105.1)
Cash and cash equivalents	1,238.3	1,146.1	92.2
Current assets	3,806.2	3,761.1	45.1
TOTAL ASSETS	10,566.9	10,769.8	(202.9)
Equity attributable to equity holders of parent company	863.9	797.5	66.4
Non-controlling interests	74.6	75.4	(0.8)
Net equity	938.5	872.9	65.6
Grants	215.4	225.5	(10.1)
Non-current provisions	1,141.0	1,175.6	(34.6)
Long-term interest-bearing debt	4,224.6	4,590.1	(365.5)
Other non-current financial liabilities	55.0	69.2	(14.2)
Deferred tax liabilities and other non-current liabilities	476.8	535.3	(58.5)
Non-current liabilities	6,112.7	6,595.6	(482.9)
Liabilities linked to non-current assets available for sale	14.2	14.9	(0.7)
Non-current provisions	165.8	202.9	(37.1)
Short-term interest-bearing debt	751.7	474.9	276.8
Other current financial liabilities	75.8	82.3	(6.5)
Trade and other accounts payable	2,508.1	2,526.3	(18.2)
Current liabilities	3,515.7	3,301.3	214.4
TOTAL LIABILITIES	10,566.9	10,769.8	(202.9)

5.1 Equity-accounted affiliates

The investment in equity-accounted companies (€650.6 million) comprised the following at 31 December 2017:

- 1) €209.4 million for the 36.9% stake in Realia.
- 2) €71.8 million for investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).
- 3) €82 million for holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).
- 4) €33.7 million for the 44.6% stake in Giant Cement Holding, the parent company of the Cement division in the US, which has been equity-accounted since November 2016, whereas it was previously fully consolidated, and €22.2 million for other companies in which the Cement area's parent company has a stake.
- 5) €253.7 million for other holdings (mainly transport infrastructure concessions and renewable energy companies) and loans to affiliated companies.

5.2 Non-current assets and liabilities available for sale

The entire €41.4 million balance of non-current assets available for sale at year-end corresponds to the residual business of Cemusa in Portugal and the value of the holding in the Cedinsa subgroup (an additional €27.1 million). Those assets have associated liabilities in connection with Cemusa for the same amount: €14.2 million.

5.3 Cash and cash equivalents

Cash and cash equivalents amounted to €1,238.3 million at the end of the period, 8% more than the balance at 2016 year-end; the increase was concentrated in the fourth quarter and was due to the reduction in working capital, contrasting with the trend that is normally observed in the first half every year.

5.4 Net equity

At the end of December 2017, equity amounted to €938.5 million, including an 8.3% increase attributable to the Group parent company as a result of earnings in the period.

5.5 Net interest-bearing debt

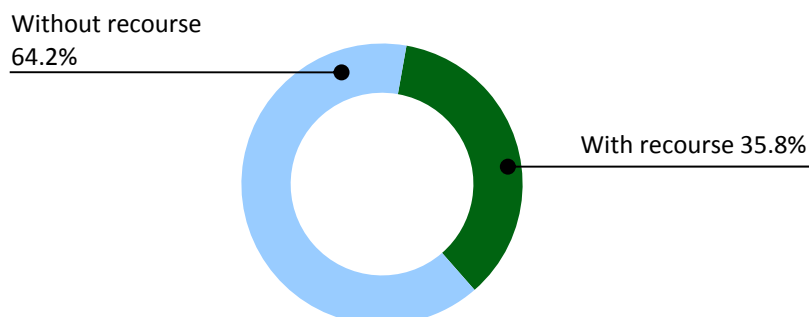
(M€)	Dec. 17	Dec. 16	Change (M€)
Bank borrowings	3,157.2	4,536.1	(1,378.9)
Debt instruments and other loans	1,609.2	232.4	1,376.8
Accounts payable due to financial leases	59.8	49.4	10.4
Derivatives and other financial liabilities	150.1	183.1	(33.0)
Gross interest-bearing debt	4,976.3	5,001.1	(24.8)
Cash and other current financial assets	(1,396.8)	(1,410.1)	13.3
Net interest-bearing debt	3,579.5	3,590.9	(11.4)
<i>With recourse</i>	1,283.1	2,329.1	(1,046.0)
<i>Without recourse</i>	2,296.4	1,261.8	1,034.6

At the end of December 2017, net interest-bearing debt amounted to €3,579.5 million, €11.4 million less than at 2016 year-end (-0.3%). That reduction is attributable to a €33.1 million reduction in working capital and to the investment of €56.1 million in the first quarter of 2017 to buy out most of the minority shareholders in

the Cement area, plus €54 million invested in development of a waste-to-energy plant in the Environmental Services business in the UK, which is still under construction.

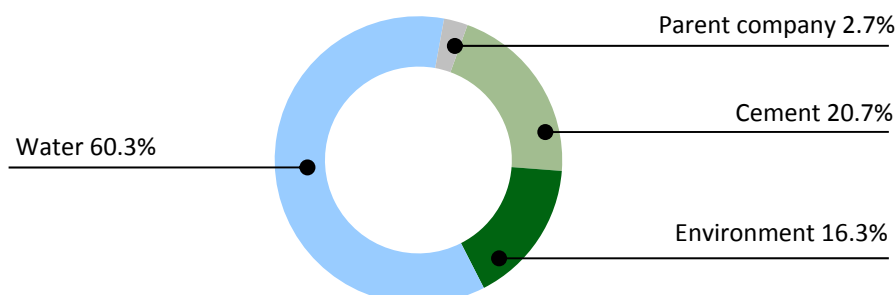
Gross interest-bearing debt also declined slightly, by 0.5% to €4,976.3 million.

Debt with and without recourse



Net financial debt is divided between corporate debt (35.8%) and debt without recourse (64.2%). Net debt with recourse includes mainly legacy debt from the acquisition of a number of operating companies in the various divisions (excluding Cement) which is structured mostly as a syndicated loan at parent company level. The sizeable 44.9% year-on-year reduction in this item is due to the early partial repayment of €1,069 million using funds from the FCC Aqualia bond issue in June.

Net debt without recourse, by area



Net interest-bearing debt without recourse to the Group parent company amounted to €2,296.4 million at year-end and included the two FCC Aqualia bonds totalling €1,350 million that were issued in the international capital markets in June. As a result, Water is now the division with the largest amount of non-recourse net debt (€1,383.8 million), which includes not only the aforementioned two bonds but also €189.4 million attributable to the business in the Czech Republic and the remainder to end-to-end water concessions, principally in Spain. The Cement area accounts for €475.6 million, while Environmental Services accounts for €374.4 million (€299.3 million in connection with UK activities, €53.8 million related to Central Europe, and the remainder to other waste treatment and recycling plants in Spain and Portugal). The €62.6 million at parent company level are the project debt of the Coatzacoalcos tunnel concession company in Mexico and of the Conquense highway and Tema concession companies, both in Spain.

5.6 Other current and non-current financial liabilities

The balance of other current and non-current financial liabilities, which are not classified as interest-bearing debt, amounted to €130.8 million at year-end and includes financial liabilities such as those linked to hedging derivatives, suppliers of property, plant and equipment, and deposits and guarantees received.

6. CASH FLOW

(M€)	Dec. 17	Dec. 16	Chg. (%)
EBITDA	815.4	833.7	-2.2%
(Increase)/decrease in working capital	31.1	331.4	-90.6%
Income tax (paid)/received	(83.7)	(48.6)	72.2%
Other operating cash flow	6.1	(91.6)	N/A
Operating cash flow	768.9	1,024.9	-25.0%
Investment payments	(333.1)	(448.6)	-25.7%
Divestment receipts	173.6	294.2	-41.0%
Other investing cash flow	8.6	59.7	-85.6%
Investing cash flow	(150.9)	(94.7)	59.3%
Interest paid	(185.6)	(316.3)	-41.3%
(Payment)/receipt of financial liabilities	(244.8)	(1,452.7)	-83.1%
Other financing cash flow	(43.3)	677.7	N/A
Financing cash flow	(473.7)	(1,091.3)	-56.6%
Exchange differences, change in consolidation scope, etc.	(52.1)	(38.3)	36.0%
Increase/(decrease) in cash and cash equivalents	92.2	(199.4)	N/A

6.1 Operating cash flow

In 2017 as a whole, operating cash flow amounted to €768.9 million, i.e. €256 million less than in 2016 despite a substantial improvement in cash conversion, due entirely to lower working capital (€-300.3 million). This sizeable difference in working capital performance in 2017 is due to the variation between years in the volume of receivables sold without recourse. Whereas this balance increased by €283.5 million in 2016, it declined by €100.5 million in 2017. Consequently, excluding variations in the sale of receivables between years, working finance needs improved in 2017 with respect to 2016 as a result of the sustained efforts to improve the Group's cash conversion ratio.

(M€)	Dec. 17	Dec. 16	Change (M€)
Environment	(7.0)	326.2	(333.2)
Water	43.7	21.6	22.1
Construction	(0.3)	41.0	(41.3)
Cement	4.4	(10.4)	14.8
Corporate services and adjustments	(9.7)	(47.0)	37.3
(Increase)/decrease in working capital	31.1	331.4	(300.3)

Environmental Services accounted for the bulk of the year-on-year variation in working capital, basically because of the aforementioned variation in sales of receivables, with a positive baseline effect in 2016 due to receipt of an advance upon delivery of the Buckinghamshire incinerator plant in the UK.

Other operating cash flow refers mainly to cash arising from a €6.1 million variation in provisions in all business areas, contrasting with €91.6 million applied in 2016, basically because of lower provisioning needs (concentrated in the Construction area).

6.2 Investing cash flow

Investing cash flow totalled €150.9 million in 2017, compared with €94.7 million in 2016.

Investment payments amounted to €333.1 million, concentrated in the Environmental Services area (€210.1 million, including €54 million invested in developing an energy-from-waste plant in the UK). The year-on-year reduction is due to containment of capital spending in the more capital-intensive business areas (i.e. Water and Environmental Services) coupled with lower needs in Construction, plus the payments for equity issues by Realia, which were subscribed for by FCC in the amount of €87.3 million, in line with its 36.9% stake.

Divestment receipts declined to €173.6 million, from €294.2 million in 2016. Some of the main items in 2017 were in Corporate Services, i.e. receipt of the second payment for the sale of GVI, amounting to €106.4 million, and the sale of the company's 3.4% stake in Xfera for €29.1 million.

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

(M€)	Dec. 17	Dec. 16	Change (M€)
Environment	(201.8)	(150.9)	(50.9)
Water	(67.1)	(55.0)	(12.1)
Construction	(10.7)	(22.7)	12
Cement	2.2	0.9	1.3
Corporate services and adjustments	117.9	73.3	44.6
Net investments (Payments - Receipts)	(159.5)	(154.4)	(5.1)

Other investing cash 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 €473.7 million in the period, compared with €1,091.3 million the previous year. The (payment)/receipt of financial liabilities item reflects the net effect of early repayment of a material amount of the Group parent company's syndicated loan using funds from the two bonds issued by FCC Aqualia in June, which amounted to a combined €1,350 million; last year, this item reflected debt repayment using funds from the capital increase performed in the first quarter of 2016.

Interest payments were reduced by 41.3% year-on-year to €185.6 million; this item continues to decline as a result of successive funding optimisation measures, particularly those completed in June by the parent company and the Water area, whose impact will be more evident at full financial year.

Payment/receipt of financial liabilities includes an outflow of €56.1 million in February 2017 to settle FCC's delisting bid for Cementos Portland Valderrivas, in which it increased its effective stake to 99.04% at 31 December 2017.

6.4 Exchange differences, change in consolidation scope, etc.

This item reflects a negative variation of €52.1 million in 2017, compared with a negative €38.3 million variation in 2016. The negative trend is attributable to the effect of exchange rate fluctuations on the Group's cash balance due to the euro's appreciation, which were concentrated in the Construction area.

6.5 Variation in cash and cash equivalents

Combining the various cash flows, the Group's cash position increased by €92.2 million with respect to 2016 year-end, to €1,238.3 million at 31 December 2017.

7. BUSINESS PERFORMANCE

7.1. Environment

The Environmental Services area accounted for 52.2% of Group EBITDA. The bulk of its activities (95% in 2017) involve municipal solid waste collection, treatment and disposal, along with other municipal services such as street cleaning and green area upkeep. The other 5% corresponds to industrial waste collection and management.

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

7.1.1. Results

(M€)	Dec. 17	Dec. 16	Chg. (%)
Revenues	2,736.0	2,728.1	0.3%
<i>Environment</i>	2,598.8	2,598.7	0.0%
<i>Industrial Waste</i>	137.2	129.4	6.0%
EBITDA	425.8	438.7	-2.9%
<i>EBITDA margin</i>	15.6%	16.1%	-0.5 p.p.
EBIT	203.4	221.8	-8.3%
<i>EBIT margin</i>	7.4%	8.1%	-0.7 p.p.

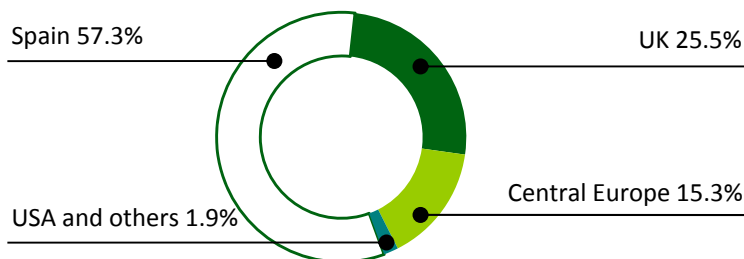
The Environmental Services area achieved €2,736 million in revenues in the year, 0.3% more than in 2016. This limited increase is broadly attributable to the depreciation of the pound sterling and the Egyptian pound; adjusting for the currency effect, this area's revenues would have increased by 2.2%.

Revenue breakdown, by region			
(M€)	Dec. 17	Dec. 16	Chg. (%)
Spain	1,568.5	1,526.0	2.8%
United Kingdom	698.3	776.0	-10.0%
Central Europe	418.6	381.6	9.7%
USA and others	50.6	44.5	13.7%
Total	2,736.0	2,728.1	0.3%

Revenues in Spain increased by 2.8% year-on-year to €1,568.5 million, favoured by contract renewals and extensions obtained in previous periods. Revenues in the UK fell 10% to €698.3 million, as a result mainly of sterling's depreciation (-6.5%) and, to a lesser extent, of the smaller contribution from landfill levies in the landfill business and the development of waste treatment plants for operation. At constant exchange rates and excluding the aforementioned factors, revenues in the UK would have increased by 3.6% in 2017.

Revenues in Central Europe increased by 9.7% to €418.6 million, mainly due to a larger volume of winter business in the Czech Republic and a general increase in activity in the other countries in the region, including notably Austria and Romania. Revenues in the USA and other markets increased by 13.7% due to the steadily rising contribution from new waste management contracts that have become operational in Texas and Florida, which offset the negative effect of the Egyptian pound's 48.9% depreciation year-on-year.

Revenue breakdown, by region



EBITDA amounted to €425.8 million, a 2.9% reduction year-on-year, due broadly to sterling's depreciation (equivalent to €8.8 million) and to other lesser effects such as the baseline effect of a number of extraordinary items booked in 2016 (default interest and the Spanish tax on the retail sale of hydrocarbons) plus higher energy costs.

EBIT declined by 8.3% year-on-year to €203.4 million due to the aforementioned EBITDA performance and a number of extraordinary expenses, including notably €13.3 million for settling a claim in connection with the sale of industrial waste management assets in the US in 2014.

Backlog breakdown, by region

(M€)	Dec. 17	Dec. 16	Chg. (%)
Spain	6,129.9	6,663.9	-8.0%
International	4,156.0	4,487.8	-7.4%
Total	10,285.9	11,151.7	-7.8%

This area's backlog declined by 7.8% year-on-year to €10,285.9 million due broadly to delays in the award of certain contracts in Spain coupled with the negative impact of depreciation by the pound sterling and the US dollar. The total backlog amounts to close to 4 times revenues in the last twelve months.

7.1.2. Financial debt

(M€)	Dec. 17	Dec. 16	Change (M€)
Without recourse	374.4	439.0	(64.6)

The area's net interest-bearing debt without recourse declined by €64.6 million in the year. Of that amount, €299.3 million relate to the UK, €53.8 million to Central Europe, and the remaining €21.3 million to two waste treatment and recycling plants in Spain.

7.2. End-to-End Water Management

The Water area accounted for 29.6% of FCC Group EBITDA in the year. Public concessions and end-to-end water management (capture, potabilisation, distribution and sanitation) account for 90% of total revenues, and Technology and Networks (water infrastructure design, engineering and equipment) account for the other 10%.

This area serves more than 13 million people in over 850 municipalities in Spain. In Central Europe, it 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 Africa. Overall, the Water division supplies water and/or sewage treatment services to over 23.6 million people.

7.2.1 Earnings

(M€)	Dec. 17	Dec. 16	Chg. (%)
Revenues	1,025.9	1,009.8	1.6%
<i>Concessions and services</i>	923.8	904.3	2.2%
<i>Technology and networks</i>	102.1	105.5	-3.2%
EBITDA	241.5	231.4	4.4%
<i>EBITDA margin</i>	23.5%	22.9%	0.6 p.p.
EBIT	153.2	144.1	6.3%
<i>EBIT margin</i>	14.9%	14.3%	0.7 p.p.

This area's revenues amounted to €1,025.9 million, a 1.6% increase on 2016, due to the increase in revenues from concessions and services in a range of markets, principally Spain. This effect was partly offset by a reduction in the technology and networks business in the international arena.

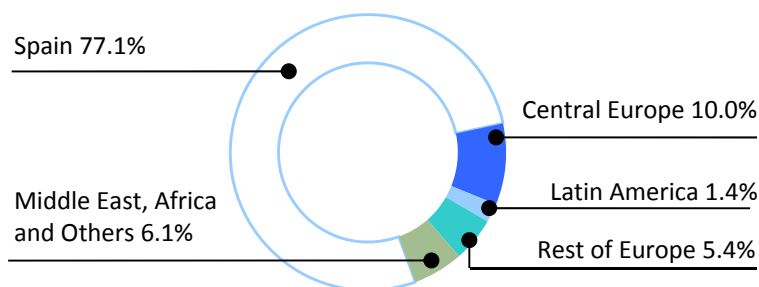
Revenue breakdown, by region			
(M€)	Dec. 17	Dec. 16	Chg. (%)
Spain	790.9	764.8	3.4%
Central Europe	103.0	93.2	10.5%
Latin America	14.5	31.7	-54.3%
Rest of Europe (Portugal and Italy)	55.8	54.4	2.6%
Middle East, Africa and Others	61.7	65.7	-6.1%
Total	1,025.9	1,009.8	1.6%

Revenues in Spain increased by 3.4%, basically as a result of growth in the concession business, which achieved a higher volume of billing, and the contribution by new contracts.

On the international front, revenues declined in Latin America as a result of a slower pace of project execution since several technology and network contracts, basically in Chile and Uruguay, entered the final phase or were concluded. In this respect, a number of new contacts obtained in this region in 2017 should change this trend as they are implemented.

Revenues increased by 2.6% in Portugal and Italy, but shrank by 6.1% in the Middle East and Africa due broadly to the progressive completion of ancillary works on Riyadh Metro.

Revenue breakdown, by region



EBITDA increased by 4.4% year-on-year, to €241.5 million, favoured by the increase in the EBITDA margin to 23.5% (from 22.9%). That performance was driven fundamentally by the increase in the contribution by the concession business, whose margins are higher than those of technology and networks, and by the aforementioned increase in consumption, which increases profitability.

Backlog breakdown, by region

(M€)	Dec. 17	Dec. 16	Chg. (%)
Spain	8,274.9	8,753.0	-5.5%
International	6,516.7	6,202.9	5.1%
Total	14,791.6	14,955.9	-1.1%

The backlog declined by 1.1% with respect to 2016 year-end, to €14,791.6 million, as a result of a contraction of the domestic backlog (due broadly to a lower number of public tenders and renewals), which was offset to a great extent by growth in the international backlog. The area's backlog is close to 14 times the last year's revenues.

7.2.2. Financial debt

(M€)	Dec. 17	Dec. 16	Change (M€)
Without recourse	1,383.8	246.2	1,137.6

Net interest-bearing debt, all of which is without recourse to the Group parent company, increased sharply with respect to 2016 year-end, to €1,383.8 million. This strong increase is due to the issuance on 8 June of two bonds by the area's parent company, at 5 and 10 years, for a combined €1,350 million. With these new funds raised in the market, all the area's funding is without recourse to the Group parent company and is free-standing. The bond issue also made it possible to adapt the long-term capital structure in line with the area's nature and cash flow.

In addition to those bonds, the area's net debt at the end of the year also included €189.4 million related to the business in the Czech Republic, and €60.5 million is connected to an end-to-end water concession in Spain (Aquajerez).

7.3. Construction

The Construction area contributed 8.6% of FCC Group EBITDA in 2017. It is mainly involved in the design and construction of large civil engineering projects and, to a lesser extent, landmark buildings and industrial works in certain geographies. In particular, it undertakes highly complex public works such as railways, tunnels and bridges, which account for the bulk of its activity.

(M€)	Dec. 17	Dec. 16	Chg. (%)
Revenues	1,681.5	1,652.6	1.7%
EBITDA	70.3	55.0	27.8%
<i>EBITDA margin</i>	<i>4.2%</i>	<i>3.3%</i>	<i>0.9 p.p.</i>
EBIT	84.8	(47.4)	N/A
<i>EBIT margin</i>	<i>5.0%</i>	<i>-2.9%</i>	<i>7.9 p.p.</i>

This area's revenues increased by 1.7% to €1,681.5 million due to improved business in the domestic market, while international revenues were in line with the previous year.

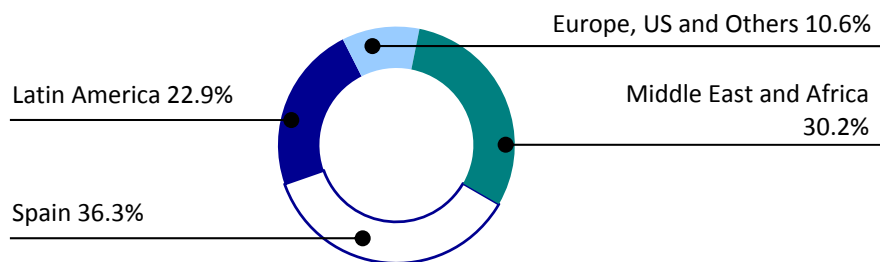
Revenue breakdown, by region			
(M€)	Dec. 17	Dec. 16	Chg. (%)
Spain	609.6	580.8	5.0%
Middle East and Africa	507.9	534.3	-4.9%
Latin America	384.8	295.5	30.2%
Europe, US, etc.	179.2	242.0	-26.0%
Total	1,681.5	1,652.6	1.7%

Revenues in Spain increased by 5% due broadly to greater progress with projects for private sector customers, which amply offset the persisting adverse situation of scant activity and low public investment in infrastructure.

Revenues in the Middle East and Africa fell by 4.9% due to a readjustment of the degree of progress with the Riyadh Metro project in Saudi Arabia. That decline was amply offset by 30.2% year-on-year growth in revenues in Latin America, attributable mainly to the larger contribution by Panama City Metro Line 2 and, to a lesser extent, by Lima Metro Line 2 (Peru).

Revenues in Europe, the US and other markets declined by 26% due to the smaller contribution from projects that have been completed or are nearing completion in the UK, Finland and the US, which were not fully offset by new projects in other markets, including notably the project to upgrade aircraft fuelling facilities at Dublin airport (Ireland) and railway projects obtained in Romania during 2017.

Revenue breakdown, by region



EBITDA amounted to €70.3 million, significantly higher than the €55 million registered in 2016, which included recognition of losses on certain international projects and of provisions for taxes. This substantial improvement was also supported by a sharp reduction in structural expenses achieved through the adjustments implemented the previous year.

EBIT amounted to €84.8 million in 2017, including €40 million profit on the sale of real estate subsidiary FCyC to the Group parent company in the first quarter, an internal transaction that has no impact on the FCC Group's consolidated results. The €47.4 million loss booked in 2016 included a €53.4 million provision to adjust production resources to the lower demand for infrastructure investment in Spain. But for those two effects, EBIT would have increased by €38.8 million year-on-year.

Backlog breakdown, by region

(M€)	Dec. 17	Dec. 16	Chg. (%)
Spain	998.2	1,038.7	-3.9%
International	3,301.7	3,443.6	-4.1%
Total	4,299.9	4,482.3	-4.1%

The area's backlog increased by 4.1% in the year, to €4,299.9 million. The backlog in Spain shrank by 3.9% due to persisting low government expenditure on infrastructure. The trend in the international area was similar, as the backlog declined by 4.1% year-on-year, while the company applied a more selective approach, focused on profitability, when seeking and implementing projects. Nevertheless, the backlog at year-end amounted to 2.5 times the previous year's revenues.

Backlog breakdown, by business segment

(M€)	Dec. 17	Dec. 16	Chg. (%)
Civil engineering	3,366.7	3,467.2	-2.9%
Building	574.6	654.9	-12.3%
Industrial projects	358.7	360.2	-0.4%
Total	4,299.9	4,482.3	-4.1%

Civil engineering work accounts for 78.3% of the total backlog and building for 13.3% (a sharper decline with respect to last year because of the conclusion of certain landmark projects in Spain); industrial contracts account for the remaining 8.4%.

7.4. Cement

The Cement area accounted for 7.1% of FCC Group EBITDA in 2017, through Cementos Portland Valderrivas (CPV), in which the FCC Group parent company has a 99.04% effective stake. This area produces mainly cement; it has seven factories in Spain and one in Tunisia, as well as a 44.6% stake in Giant Cement, which has three cement factories on the Eastern Seaboard of the United States.

7.4.1. Results

(M€)	Dec. 17	Dec. 16	Chg. (%)
Revenues	340.4	536.2	-36.5%
<i>Cement</i>	309.6	480.1	-35.5%
<i>Other</i>	30.8	56.1	-45.1%
EBITDA	57.8	89.2	-35.2%
<i>EBITDA margin</i>	17.0%	16.6%	0.3 p.p.
EBIT	26.1	(120.4)	-121.7%
<i>EBIT margin</i>	7.7%	-22.5%	30.1 p.p.

This area's revenues declined by 36.5% year-on-year to €340.4 million, mainly as a result of deconsolidating the US subsidiary, Giant Cement, as of 1 November 2016 and, to a lesser extent, of the depreciation of the Tunisian dinar.

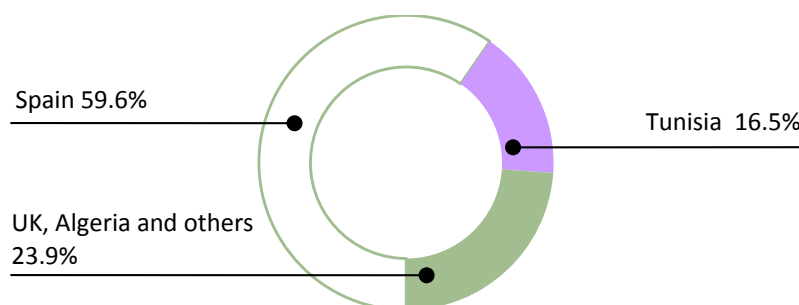
Revenue breakdown, by region			
(M€)	Dec. 17	Dec. 16	Chg. (%)
Spain	202.9	185.5	9.4%
US and Canada	1.9	186.1	-99.0%
Tunisia	56.3	68.7	-18.0%
UK and others	79.3	95.9	-17.3%
Total	340.4	536.2	-36.5%

Revenues in Spain increased by 9.4% due to growth in demand volume and a slight improvement in selling prices, all driven by strong domestic demand for construction, which was concentrated in the private sector.

Revenues in Tunisia declined by 18% because of a combination of 12.8% year-on-year depreciation by the Tunisian dinar and a decline in volumes of both domestic sales and exports to Algeria.

Revenues from exports to the UK and other markets declined by 17.3% due to the sharp reduction in exports to certain countries in Africa. Hardly any revenues were recognised in the US or Canada in the period since the business in that region was deconsolidated in November 2016, as described in the preceding section.

Revenue breakdown, by region



EBITDA fell by 35.2% to €57.8 million, from €89.2 million the previous year. This difference is mainly due to the lack of a contribution from the US in 2017 and, to a lesser extent, to the aforementioned effects on revenues in Tunisia.

EBIT improved to €26.1 million despite lower EBITDA, contrasting with €-120.4 million in 2016. This change in performance is due to the €187.2 million impairment of goodwill recognised in 2016.

7.4.2. Financial debt

(M€)	Dec. 17	Dec. 16	Change (M€)
Without recourse	475.6	511.4	(35.8)

The area's net interest-bearing debt, which is entirely without recourse to the FCC Group parent company, consists mainly of a €419.7 million syndicated loan. The €35.8 million decline with respect to 2016 year-end is attributable mainly to the repayment of €36 million of that funding in 2017.

8. SHARE DATA

8.1. Share performance

	Jan. - Dec. 2017	Jan. - Dec. 2016
Closing price (€) ⁽¹⁾	8.626	7.5510
<i>Change in the period</i>	<i>14.2%</i>	<i>10.8%</i>
High (€) ⁽¹⁾	9.879	9.3820
Low (€) ⁽¹⁾	7.551	6.0387
Average daily trading (shares)	75,231	1,679,079
Average daily trading (M€)	0.7	12.3
Market cap. at end of period (M€)	3,268	2,861
No. of shares outstanding	378,825,506	378,825,506

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

8.2. Dividends

No dividends were paid in 2017.

8.3. Own shares

At 31 December 2017, the FCC Group held a total of 230,100 own shares directly and indirectly (0.06% of the company's capital).

On 1 August 2017, the company disclosed the cancellation of the liquidity contract in force until that date (Regulatory Disclosure no. 255550). There was no contract in force 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, grants, net changes in provisions and other non-recurring revenues and expenses.

Backlog

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

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

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

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

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

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

NET FINANCIAL DEBT

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

9. DISCLAIMER

The financial information contained in this document was obtained from the consolidated interim financial statements as of 31 December 2017, prepared in accordance with the International Financial Reporting Standards (IFRSs) that had been adopted by the European Union at the end of the period, in conformity with Regulation (EC) no 1606/2002 of the European Parliament and of the Council of 19 July 2002,

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10. CONTACT DETAILS

FINANCE AND ADMINISTRATION DEPARTMENT

CAPITAL MARKETS DEPARTMENT

> Postal address:	Avda. Camino de Santiago, 40 Edificio 2, Planta 5 - 28050- Madrid. SPAIN.
> Telephone:	+34 91 757 47 51
> Web site:	www.fcc.es
> E-mail:	ir@fcc.es
