

**Fomento de
Construcciones y
Contratas, S.A. y
Sociedades
Dependientes**

Cuentas Anuales del ejercicio
terminado el 31 de diciembre de 2016
e Informe de Gestión, junto con el
Informe de Auditoría Independiente

INFORME DE AUDITORÍA INDEPENDIENTE DE CUENTAS ANUALES CONSOLIDADAS

A los Accionistas de Fomento de Construcciones y Contratas, S.A.,

Informe sobre las cuentas anuales

Hemos auditado las cuentas anuales consolidadas adjuntas de la sociedad Fomento de Construcciones y Contratas, S.A. (en adelante la Sociedad dominante) y sociedades dependientes (en adelante el Grupo), que comprenden el balance de situación consolidado al 31 de diciembre de 2016, la cuenta de pérdidas y ganancias consolidada, el estado de ingresos y gastos consolidado, el estado de cambios en el patrimonio neto consolidado, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio anual terminado en dicha fecha.

Responsabilidad de los administradores en relación con las cuentas anuales

Los administradores de la Sociedad dominante son responsables de formular las cuentas anuales consolidadas adjuntas, de forma que expresen la imagen fiel del patrimonio consolidado, de la situación financiera consolidada y de los resultados consolidados de Fomento de Construcciones y Contratas, S.A. y sociedades dependientes, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, que se identifica en la Nota 2 de la memoria consolidada adjunta, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

Responsabilidad del auditor

Nuestra responsabilidad es expresar una opinión sobre las cuentas anuales consolidadas adjuntas basada en nuestra auditoría. Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la auditoría de cuentas vigente en España. Dicha normativa exige que cumplamos los requerimientos de ética, así como que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable de que las cuentas anuales consolidadas están libres de incorrecciones materiales.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales consolidadas. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de los administradores de la Sociedad dominante de las cuentas anuales consolidadas, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y de la razonabilidad de las estimaciones contables realizadas por la dirección, así como la evaluación de la presentación de las cuentas anuales consolidadas tomadas en su conjunto.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión de auditoría.

Opinión

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de la sociedad Fomento de Construcciones y Contratas, S.A. y sociedades dependientes a 31 de diciembre

de 2016, así como de sus resultados consolidados y flujos de efectivo consolidados correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Informe sobre otros requerimientos legales y reglamentarios

El informe de gestión consolidado adjunto del ejercicio 2016 contiene las explicaciones que los administradores de la Sociedad dominante consideran oportunas sobre la situación de Fomento de Construcciones y Contratas, S.A. y sociedades dependientes, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales consolidadas del ejercicio 2016. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de la sociedad Fomento de Construcciones y Contratas, S.A. y sociedades dependientes.

DELOITTE, S.L.
Inscrita en el R.O.A.C. nº S0692

Javier Parada Pardo
10 de marzo de 2017

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)**

Translation of financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

**Financial Statements and
Directors' Report**

2016

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)**

Financial Statements

Translation of financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

CONSOLIDATED BALANCE SHEET

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2016 (in thousands of euros)

ASSETS	31-12-2016	31-12-2015
NON-CURRENT ASSETS	7,008,694	8,184,311
Intangible assets (Note 7)	2,536,258	3,026,420
Concessions (Notes 7 and 11)	1,350,691	1,403,619
Goodwill	1,094,561	1,495,909
Other intangible assets	91,006	126,892
Property plant and equipment (Note 8)	2,520,255	3,126,234
Land and buildings	780,364	935,273
Plant and other items of property, plant and equipment	1,739,891	2,190,961
Investment Property (Note 9)	14,303	20,134
Investments accounted for using the equity method (Note 12)	669,002	586,967
Non-current financial assets (Note 14)	322,252	392,762
Deferred tax assets (Note 24)	946,624	1,031,794
CURRENT ASSETS	3,761,087	4,677,798
Non-current assets classified as held for sale (Note 4)	14,907	235,887
Inventories (Note 15)	581,627	648,639
Trade and other receivables	1,690,807	2,128,981
Trade receivables for sales and services (Note 16)	1,417,099	1,771,766
Other receivables (Note 16 and 24)	273,708	357,215
Other current financial assets (Note 14)	263,726	230,676
Other current assets (Note 16)	63,935	88,100
Cash and cash equivalents (Note 17)	1,146,085	1,345,515
TOTAL ASSETS	10,769,781	12,862,109

The accompanying Notes 1 to 33 and Appendices I to V are an integral part of the consolidated financial statements and, together with the latter, make up the statutory consolidated financial statements for 2016.

Translation of financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
AND SUBSIDIARIES**
as at 31 December 2016 (in thousands of euros)

EQUITY AND LIABILITIES	31-12-2016	31-12-2015
EQUITY (Note 18)	936,812	487,247
Equity attributable to the Parent	791,321	280,731
Shareholders' equity	1,090,330	545,697
Share capital	378,826	260,572
Retained earnings and other reserves	875,991	301,342
Treasury shares	(5,502)	(5,502)
Profit (Loss) for the year attributable to the Parent	(161,575)	(46,291)
Other equity instruments	2,590	35,576
Valuation adjustments	(299,009)	(264,966)
Non-controlling interests	145,491	206,516
NON-CURRENT LIABILITIES	6,595,636	7,717,833
Grants	225,460	248,263
Long-term provisions (Note 19)	1,175,595	1,254,119
Non-current financial liabilities (Note 20)	4,659,288	5,678,798
Debt instruments and other marketable securities	229,632	1,080,950
Bank borrowings	4,211,384	4,327,035
Other financial liabilities	218,272	270,813
Deferred tax liabilities (Note 24)	360,347	479,548
Other non-current liabilities (Note 21)	174,946	57,105
CURRENT LIABILITIES	3,237,333	4,657,029
Liabilities associated with non-current assets classified as held for sale (Note 4)	14,907	15,887
Short-term provisions (Note 19)	202,911	194,743
Current financial liabilities (Note 20)	493,228	1,529,379
Debt instruments and other marketable securities	2,737	7,543
Bank borrowings	324,752	1,320,649
Other financial liabilities	165,739	201,187
Trade and other payables (Note 22)	2,526,287	2,917,020
Payable to suppliers	1,077,171	1,244,010
Other payables (Notes 22 and 24)	1,449,116	1,673,010
TOTAL PASIVO Y PATRIMONIO NETO	10,769,781	12,862,109

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2016 (in thousands of euros)

	31-12-2016	31-12-2015
Revenue (Note 27)	5,951,591	6,476,024
In-house work on non-current assets	52,930	32,427
Other operating income (Note 27)	175,440	185,977
Changes in inventories of finished goods and work in progress (Note 27)	3,517	(131,469)
Procurements (Note 27)	(2,146,181)	(2,415,153)
Staff costs (Note 27)	(1,822,226)	(1,858,626)
Other operating expenses	(1,381,365)	(1,474,544)
Depreciation and amortisation charge and allocation to the consolidated statement of profit or loss of grants related to non-financial non-current assets and other grants (Notes 7, 8 and 9)	(399,312)	(428,457)
Impairment and gains or losses on disposals of non-current assets (Note 27)	(281,679)	(4,815)
Other income and expenses (Note 27)	(59,104)	(57,537)
PROFIT (LOSS) FROM OPERATIONS	93,611	323,827
Finance income (Note 27)	90,175	34,093
Finance costs (Note 27)	(379,239)	(388,351)
Other net finance costs (Note 27)	(22,202)	(10,624)
FINANCIAL PROFIT (LOSS)	(311,266)	(364,882)
Result of companies accounted for using the equity method (Note 27)	56,444	35,354
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(161,211)	(5,701)
Income tax (Note 24)	(34,981)	40,846
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(196,192)	35,145
Profit (Loss) for the year from discontinued operations, net of tax (Note 4)	(7,294)	(89,311)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	(203,486)	(54,166)
Profit (Loss) attributable to the Parent	(161,575)	(46,291)
Profit (Loss) attributable to non-controlling interests (Note 18)	(41,911)	(7,875)
EARNINGS PER SHARE (Note 18)		
Basic	(0,45)	(0,18)
Diluted	(0,45)	(0,18)

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2016 (in thousands of euros)

	31-12-2016	31-12-2015
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	(203,486)	(54,166)
Income and expense recognised directly in equity	(105,398)	36,475
Revaluation of financial instruments	(39)	1,689
Cash flow hedges	(10,006)	2,951
Translation differences	(73,915)	47,836
Actuarial gains and losses (*)	(9,956)	5,002
Companies accounted for using the equity method	(29,992)	(12,345)
Tax effect	18,510	(8,658)
Transfers to the consolidated statement of profit or loss	53,787	22,272
Revaluation of financial instruments	(6)	20
Cash flow hedges	8,218	8,942
Translation differences	(7,428)	292
Companies accounted for using the equity method	52,663	14,822
Tax effect	340	(1,804)
TOTAL COMPREHENSIVE INCOME	(255,097)	4,581
Attributable to the Parent	(205,408)	7,669
Attributable to non-controlling interests	(49,689)	(3,088)

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(*) Amounts that may not be recognised in the consolidated statement of profit or loss in any circumstances.

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CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES for the year ended 31 December 2015 (in thousands of euros)

	Share capital (Note 18-a)	Share premium and reserves (Note 18-b)	Interim dividend	Treasury shares (Note 18-c)	Profit (Loss) for the year attributable to the Parent	Other equity instruments (Note 18-d)	Valuation adjustments (Note 18-e)	Equity attributable to shareholders of the Parent (Note 18)	Non-controlling interests (Note 18.II)	Total equity
Equity at 31 December 2014	260,572	1,026,288	—	(5,278)	(724,294)	35,576	(321,185)	271,679	223,743	495,422
Total income and expense for the year		3,845			(46,291)		50,115	7,669	(3,088)	4,581
Transactions with shareholders or owners		(2,018)		(224)				(2,242)	(14,604)	(16,846)
Capital increases/(reductions)									(111)	(111)
Dividends paid									(14,493)	(14,493)
Treasury share transactions (net)		(2,018)		(224)				(2,242)		(2,242)
Other changes in equity		(726,773)			724,294		6,104	3,625	465	4,090
Equity at 31 December 2015	260,572	301,342	—	(5,502)	(46,291)	35,576	(264,966)	280,731	206,516	487,247
Total income and expense for the year		(9,501)			(161,575)		(34,332)	(205,408)	(49,689)	(255,097)
Transactions with shareholders or owners	118,253	589,595						707,848	(12,191)	695,657
Capital increases/(reductions)	118,253	589,595						707,848	15	707,863
Dividends paid									(12,206)	(12,206)
Treasury share transactions (net)										
Other changes in equity (Note 18)		(5,445)			46,291	(32,986)	289	8,150	855	9,005
Equity at 31 December 2016	378,826	875,991	—	(5,502)	(161,575)	2,590	(299,009)	791,321	145,491	936,812

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CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES for the year ended 31 December 2016 (in thousands of euros)

	31-12-2016	31-12-2015
Profit (Loss) before tax from continuing operations	(161,211)	(5,701)
Adjustments to profit (loss)	977,526	777,603
Depreciation and amortisation charge (Notes 7, 8 and 9)	404,794	433,212
Impairment of goodwill and non-current assets (Notes 7 and 8)	317,768	—
Other adjustments to profit (loss) (net) (Note 27)	254,964	344,391
Changes in working capital (Notes 11 and 16)	331,395	(35,651)
Other cash flows from operating activities	(122,808)	(135,967)
Dividends received	46,492	32,188
Income tax recovered/(paid)	(48,598)	(77,245)
Other proceeds/(payments) relating to operating activities	(120,702)	(90,910)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	1,024,902	600,284
Payments due to investments	(448,616)	(431,902)
Group companies, associates and business units	(114,661)	(22,697)
Property, plant and equipment, intangible assets and investment property (Notes 7, 8 and 9)	(302,800)	(338,898)
Other financial assets	(31,155)	(70,307)
Proceeds from disposals	294,169	38,452
Group companies, associates and business units	160,797	8,164
Property, plant and equipment, intangible assets and investment property (Notes 7, 8 and 9)	18,017	20,445
Other financial assets (Note 11)	115,355	9,843
Other cash flows from investing activities	59,761	(19,109)
Interest received	14,066	14,174
Other proceeds/(payments) relating to investing activities	45,695	(33,283)
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	(94,686)	(412,559)
Proceeds and (payments) relating to equity instruments (Note 18)	707,780	(1,974)
Issues/(Redemptions)	707,863	269
(Acquisition)/Disposal of treasury shares	(83)	(2,243)
Proceeds and (payments) relating to financial liability instruments (Note 20)	(1,452,677)	(90,153)
Issues	495,000	328,395
Repayments and redemptions	(1,947,677)	(418,548)
Dividends and returns on other equity instruments paid (Note 6)	(11,662)	(15,041)
Other cash flows from financing activities	(334,755)	(285,296)
Interest paid	(316,327)	(269,462)
Other proceeds/(payments) relating to financing activities	(18,428)	(15,834)
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	(1,091,314)	(392,464)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(38,332)	13,106
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(199,430)	(191,633)
Cash and cash equivalents at beginning of year	1,345,515	1,537,148
Cash and cash equivalents at end of year	1,146,085	1,345,515

The accompanying Notes 1 to 33 and Appendixes I to V are an integral part of the consolidated financial statements and, together with the latter, make up the statutory consolidated financial statements for 2016.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES as at 31 December 2016

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1. GROUP ACTIVITIES

The FCC Group is made up of the Parent, Fomento de Construcciones y Contratas, S.A., and a number of Spanish and foreign investees which carry on various business activities that are grouped together in the following areas:

- **Environmental Services.** Services related to urban water treatment, treatment of industrial waste and waste-to-energy (waste recovery).
- **End-to-End Water Management.** Services related to the end-to-end water cycle: collection, treatment and distribution of water for human consumption; waste water collection, filtering and treatment; design, construction, operation and maintenance of water infrastructure for municipal, industrial, agricultural and other services.
- **Construction.** This area specialises in infrastructure construction projects, building construction and related activities, such as motorways, dual carriageways and other roads, tunnels, bridges, hydraulic works, ports, airports, residential property developments, housing units, non-residential building construction, lighting, industrial air conditioning and heating systems, environmental restoration, etc.
- **Cement.** This area engages in the operation of quarries and mineral deposits, the manufacture of cement, lime, plaster and related pre-manufactured products and the production of concrete.

International operations, which represent approximately 48% of the FCC Group's revenue (2015: 47%), are carried on mainly in the European, Latin American, Middle East and US markets.

Also, the FCC Group has a presence in the real estate industry through its 36.96% ownership interest in Realía Business, S.A., which engages mainly in housing development and office rental, both in Spain and abroad.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND BASIS OF CONSOLIDATION

a) Basis of presentation

The accompanying financial statements and the notes thereto, which compose these statutory consolidated financial statements, were prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted by the European Union at year-end, in conformity with (EC) Regulation no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, and with all the related implementing provisions and interpretations.

The 2016 consolidated financial statements of the FCC Group were formally prepared by the Board of Directors of Fomento de Construcciones y Contratas, S.A. and will be submitted for approval by the shareholders at the Annual General Meeting. However, no changes are expected to be made to the consolidated financial statements as a result of compliance with this requirement. The 2015 consolidated financial statements were approved by the shareholders of Fomento de Construcciones y Contratas, S.A. at the Annual General Meeting held on 28 June 2016.

These consolidated financial statements of the FCC Group present fairly its equity and financial position at 31 December 2016 and 2015, and its consolidated results, the changes in its consolidated equity and its consolidated cash flows in the years then ended.

The consolidated financial statements of the FCC Group were prepared from the accounting records of Fomento de Construcciones y Contratas, S.A. and of its investees. These records, in accordance with the Group's established operating procedures and systems, justify and support the consolidated financial statements prepared pursuant to current international accounting regulations.

In order to uniformly present the various items composing these consolidated financial statements, accounting uniformity criteria were applied to the separate financial statements of the companies included in the scope of consolidation. In general, in 2016 and 2015 the reporting date of the financial statements of the companies included in the scope of consolidation was the same as that of the Parent, i.e. 31 December.

The consolidated financial statements are expressed in thousands of euros.

Reclassifications

Pursuant to IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", the non-core assets that are currently being sold are recognised under "Non-Current Assets Classified as Held for Sale" and "Liabilities Associated with Non-Current Assets Classified as Held for Sale" in the accompanying consolidated balance sheet and under "Profit (Loss) for the Year from Discontinued Operations, Net of Tax" in the accompanying consolidated statement of profit or loss.

Note 4 "Non-Current Assets Classified as Held for Sale and Liabilities Associated with Non-Current Assets Classified as Held for Sale and Discontinued Operations" includes a detail and explanation of the related changes with regard to discontinued operations.

Standards and interpretations issued but not yet in force

At the date of preparation of these notes to the consolidated financial statements, the most significant standards and interpretations that had been issued by the International Accounting Standards Board (IASB) in the year but which had not yet come into force, either because they had not yet been adopted by the European Union or because they are applicable in subsequent years, were as follows:

		Obligatory application for the FCC Group
Not adopted by the European Union		
IFRS 16	Leases	1 January 2019
IFRS 14	Regulatory Deferral Accounts	n/d
Amendments to 12	Recognition of deferred tax assets for non-realised losses	1 January 2017
Amendments to IAS 7	Disclosure Initiative	1 January 2017
Clarifications of IFRS 15	Revenue from contracts with customers	1 January 2018
Amendment of IFRS 2	Classification and valuation of share-based payments	1 January 2018
Amendment of IFRS 4	Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
CIIFRS 22	Foreign-currency transactions and advance considerations	1 January 2018
Amendments to IAS 40	Property-investment transfers	1 January 2018
Adopted by the European Union but not yet in force		
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018

The Group is currently assessing the impact that the application of these new standards and amendments will have on its consolidated financial statements. In this connection, apart from the impact of the first-time application of IFRSs 15 and 16, it was considered that the entry into force of the new standards and amendments would not have a significant impact on the consolidated financial statements of the FCC Group.

Specifically, IFRS 16 provides that for the lessor all leases (except for certain exceptions for small sums or short terms) result in accounting for an asset for the use rights and a liability for the future payment obligations incurred. The Group has made an initial estimate of what applying this rule would mean, making the calculation prospectively and opting to value the asset representing use rights at the same value as the liability, using data corresponding to 31 December 2016. Based on those data intangible assets would increase by EUR 261,873 thousand and liabilities by EUR 261,783 thousand.

The Group is in the process of assessing the application of IFRS 15, although given the nature of its activities the impact of its initial application is not expected to be significant.

With regard to IFRS 14 Regulatory Deferral Accounts, the EU has decided not to launch the adoption process until the IASB publishes a final standard.

Significant standards and interpretations applied in 2016

The standards already adopted by the European Union that came into force in 2016 and were applied by the Group where applicable were as follows:

New standards, amendments and interpretations:		Obligatory application for the FCC Group
Approved for use in the European Union		
Amendment of IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the exception to the consolidation	1 January 2016
Amendments to IAS 27	The equity method for separate financial statements	1 January 2016
Amendments to IAS 1	Initiative of information to be disclosed	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable depreciation and amortisation methods	1 January 2016
Amendments to IFRS 11	Accounting for acquisitions in joint operations	1 January 2016
Amendments to IAS 16 and IAS 41	Production plants	1 January 2016
Amendment of IFRS 19	Defined benefit plans: employees' contributions	1 January 2016

In general, the application of the aforementioned regulatory changes did not have a material impact on the accompanying consolidated financial statements.

b) Basis of consolidation

The subsidiaries listed in Appendix I, over which Fomento de Construcciones y Contratas, S.A. exercises control, i.e. where Fomento de Construcciones y Contratas, S.A. has the power to govern the significant activities of the investee; has exposure, or rights, to variable returns from involvement with the investee; and has the ability to use power over the investee to affect the amount of the investor's returns, either directly or through other investees controlled by it, are fully consolidated.

The share of non-controlling interests of the equity of the investee is presented under "Non-Controlling Interests" on the liability side of the accompanying consolidated balance sheet and their share of the results of the investee is presented under "Profit (Loss) Attributable to Non-Controlling Interests" in the accompanying consolidated statement of profit or loss.

Goodwill is determined as indicated in Note 3.b below.

Joint arrangements

The Group participates in joint arrangements through investments in joint ventures controlled jointly by one or more FCC Group companies with other non-Group companies (see Note 12) and through interests in joint operations, in the form of unincorporated temporary joint ventures (Spanish UTEs) and other similar entities (Note 13).

The Group applies its professional judgement to assess its rights and obligations with in relation to joint arrangements, taking into consideration the financial structure and legal form of the arrangement, the terms and conditions agreed upon by the parties and other relevant facts and circumstances in order to assess the type of joint arrangement in question. Once analysed, two types of joint arrangements can be identified:

- a) Joint operation: When the parties have rights to the assets and obligations for the liabilities.

b) Joint venture: When the parties only have rights to the net assets.

In accordance with IFRS 11 “Joint Arrangements”, the interests in joint ventures are accounted for using the equity method and are recognised under “Investments Accounted for Using the Equity Method” in the accompanying consolidated balance sheet. The share in the after-tax profit or loss for the year of these companies is recognised under “Result of Companies Accounted for Using the Equity Method” in the accompanying consolidated statement of profit or loss.

Joint operations, primarily in the Construction and Environmental Services Areas, most of which have the legal form of unincorporated temporary joint ventures and similar entities, were included in the accompanying consolidated financial statements in proportion to the Group’s percentage interest in the assets, liabilities, income and expenses arising from the transactions performed by these entities, and reciprocal asset and liability balances and income and expenses not realised with third parties were eliminated.

Appendix II lists the joint ventures controlled jointly with non-Group third parties and Appendix V lists the joint operations operated jointly with non-Group third parties through unincorporated temporary joint ventures and other entities of similar legal characteristics.

Associates

The companies listed in Appendix III, over which Fomento de Construcciones y Contratas, S.A. does not exercise control but does have significant influence, are equity-accounted and are included under “Investments Accounted for Using the Equity Method” in the accompanying consolidated balance sheet. The contribution of these companies to after-tax profit or loss for the year is recognised under “Result of Companies Accounted for Using the Equity Method” in the accompanying consolidated statement of profit or loss.

Transactions between Group companies

Gains or losses on transactions between consolidated companies are eliminated on consolidation and deferred until they are realised with non-Group third parties. This elimination does not apply in the case of “concession arrangements” since the related gains or losses are deemed to have been realised with third parties (Note 3.a).

Group work on non-current assets is recognised at production cost, and any intra-Group results are eliminated.

Reciprocal receivables and payables and intra-Group income and expenses were eliminated from the consolidated financial statements.

Changes in the scope of consolidation

Appendix IV shows the changes in 2016 in the fully consolidated companies and the companies accounted for using the equity method. The results of these companies are included in the consolidated statement of profit or loss from the effective date of acquisition to year-end or from the beginning of the year to the effective date of disposal or derecognition, as appropriate.

The effects of the inclusion of companies in the scope of consolidation or of their exclusion therefrom are shown in the related notes to the consolidated financial statements under “Changes in the Scope of Consolidation”. In addition, Note 5 to these consolidated financial statements, “Changes in the Scope of Consolidation”, sets forth the most significant inclusions and exclusions.

3. ACCOUNTING POLICIES

Set forth below is a detail of the accounting policies used in preparing the FCC Group's consolidated financial statements:

a) Service concession arrangements

The concession contracts are arrangements between a public sector grantor and FCC Group companies to provide public services such as water distribution, waste water filtering and treatment, management of landfills, motorways and tunnels, etc., through the operation of the related infrastructure. Revenue from providing the service may be received directly from the users or, sometimes, through the concession grantor itself, which regulates the prices for providing the service.

The concession right generally means that the concession operator has an exclusive right to provide the service under the concession for a given period of time, after which the infrastructure assigned to the concession and required to provide the service is returned to the concession grantor, generally for no consideration. The concession arrangement must provide for the management or operation of the infrastructure. Another common feature is the existence of obligations to acquire or construct all the items required to provide the concession service over the concession term.

These concession arrangements are accounted for in accordance with IFRIC 12 "Service Concession Arrangements". In general, a distinction must be drawn between two clearly different phases: the first in which the concession operator provides construction or upgrade services which are recognised as intangible or financial assets by reference to the stage of completion pursuant to IAS 11 "Construction Contracts"; and a second phase in which the concession operator provides a series of maintenance or operation services of the aforementioned infrastructure, which are recognised in accordance with IAS 18 "Revenue".

An intangible asset is recognised when the demand risk is borne by the concession operator and a financial asset is recognised when the demand risk is borne by the concession grantor since the operator has an unconditional contractual right to receive cash for the construction or upgrade services. These assets also include the amounts paid in relation to the fees for the award of the concessions.

In certain bifurcated arrangements, the operator and the grantor may share the demand risk, although this is not common for the FCC Group.

For concessions classified as intangible assets, provisions for dismantling, removal and restoration and any work to upgrade the infrastructure or increase its capacity, the revenue from which is envisaged in the initial contract, are capitalised at the start of the concession and the amortisation of these assets and the interest cost relating to the provisions are recognised in profit or loss. Also, provisions to replace and repair the infrastructure are systematically recognised in profit or loss as the obligation is incurred.

Borrowing costs arising from the financing of the infrastructure are recognised in the period in which they are incurred and those accruing from the construction until the entry into service of the infrastructure are capitalised only in the intangible asset model.

These intangible assets are amortised on the basis of the pattern of consumption of the expected future economic benefits, taken to be the changes in, and best estimates of, the production units of each activity. The Group's most important concession business in quantitative terms is the water supply and treatment activity, in which the assets are amortised on the basis of water consumption; in general, this consumption remains constant over time due, on the one hand, to the reduction arising from water saving policies and, on the other, to the rise resulting from the increase in the population. The assets are amortised in full over the concession term, which generally ranges from 25 to 50 years.

Concessions classified as a financial asset are recognised at the fair value of the construction or upgrade services provided. In accordance with the amortised cost method, the related income is recognised as revenue in profit or loss based on the effective interest rate resulting from the expected cash inflows and outflows of the concession. The borrowing costs arising from the financing of these assets are classified under “Finance Costs” in the consolidated statement of profit or loss. As explained above, the income and expenses from the provision of maintenance and operation services are recognised in the consolidated statement of profit or loss in accordance with IAS 18 “Revenue”.

b) Business combinations and goodwill

The assets and liabilities of the acquired companies and subgroups are recognised in the consolidated balance sheet at their fair value together with the related deferred taxes. However, in accordance with the applicable legislation, the initial measurement of the assets and liabilities and their allocation to the various asset and liability headings may be reviewed within the twelve months following the acquisition date, should it be necessary to consider new information.

The date of inclusion in the scope of consolidation is the date on which effective control of the company is obtained, which normally coincides with the acquisition date.

Goodwill is recognised as the excess of (a) the aggregate of the fair value of the consideration transferred for the equity interest acquired, the amount of the non-controlling interests and the acquisition-date fair value of the previously held equity interests, when control is achieved in stages, over (b) the fair value of the identifiable assets and liabilities.

In general, the non-controlling interests are measured at their proportionate share of the acquiree’s assets and liabilities.

In a business combination achieved in stages, the difference between the acquisition-date fair value of the previously held equity interest and the carrying amount of this equity interest is recognised as a result from operations.

Once control is obtained over an investee and provided control is not lost, the difference between the amount of any additional equity interest acquired or sold and its carrying amount is recognised in equity.

Goodwill is not amortised; however it is tested for impairment at least at the end of each reporting period in order to recognise it at the lower of its recoverable amount, estimated on the basis of expected cash flows, and acquisition cost, less any accumulated impairment losses. The accounting policies used to determine impairment are detailed in Note 3-e.

c) Intangible assets

Except as indicated in the preceding two sections of this Note in relation to service concession arrangements and goodwill, the other intangible assets included in the accompanying consolidated financial statements are measured at acquisition cost. These intangible assets include the investments relating to operating contracts and licences and to surface rights.

None of these intangible assets recognised were generated internally and they all have a finite useful life. Intangible assets are amortised over their useful lives (in general between 20 and 35 years), i.e. the period during which it is estimated they will generate income, using the straight-line method, except where the application of the pattern of consumption of future economic benefits more faithfully reflects their decline in value.

d) Property, plant and equipment and investment property

Property, plant and equipment and investment property are recognised at cost (revalued, where appropriate, in accordance with various legal provisions pre-dating the transition to IFRSs), less any accumulated depreciation and any recognised impairment loss. Also, the cost of property, plant and equipment includes the estimated present value of the costs of dismantling and removing the related items and, in cases where these non-current assets have been acquired through business combinations as explained in Note 3-b, they are initially recognised at their acquisition-date fair values.

Group work on non-current assets is measured at production cost.

Upkeep and maintenance expenses not leading to a lengthening of the useful life or to an increase in the production capacity of the related assets are recognised in profit or loss as incurred.

When the construction and start-up of non-current assets require a substantial period of time, the borrowing costs accrued over that period are capitalised.

Property, plant and equipment are depreciated by the straight-line method at annual rates based on the following years of estimated useful life:

Investment property	75
Natural resources and buildings	25-50
Plant, machinery and transport equipment	5-30
Furniture and tools	7-12
Computer hardware	4
Other items of property, plant and equipment	5-10

However, certain arrangements have terms shorter than the useful life of the related non-current assets, in which case they are depreciated over the term of the arrangement.

The residual value, useful life and depreciation method applied to the Group's assets are reviewed periodically to ensure that the depreciation method used reflects the pattern in which the economic benefits arising from operating the property, plant and equipment and investment property are consumed. This review takes the form of an in-situ assessment and technical analysis, based on the current conditions of the assets, and the remaining useful life of each asset is estimated on the basis of its capacity to continue to perform the functions for which it was designed. Subsequently, these internal analyses are confirmed by checking them with non-Group third parties, such as manufacturers, installers, etc.

The Group companies assess regularly, at least at the end of each reporting period, whether there is any indication that an item or group of items of property, plant and equipment is impaired so that, as indicated in Note 3-e), an impairment loss can be recognised or reversed in order to adjust the carrying amount of the assets to their value in use. Under no circumstances may the amount of reversals exceed that of the impairment losses previously recognised.

e) Impairment of intangible assets, property, plant and equipment and investment property

Intangible assets with finite useful lives, property, plant and equipment and investment property are tested for impairment when there is an indication that the assets might have become impaired, in order to adjust their carrying amount to their value in use (if this is lower).

Goodwill and intangible assets with indefinite useful lives must be tested for impairment at least once a year in order to recognise possible impairment losses.

Impairment losses recognised in prior years on assets other than goodwill may be reversed if the estimates used in the impairment tests show a recovery in the value of these assets. The carrying amount of the assets whose recoverable amount increases must in no case exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

The recognition or reversal of impairment losses on assets is charged or credited to income under “Impairment and Gains or Losses on Disposals of Non-Current Assets”.

To determine the recoverable amount of the assets tested for impairment, an estimate is made of the present value of the net cash flows arising from the cash-generating units (CGUs) to which the assets belong, except for cash inflows and outflows from financing activities and income tax payments, and the cash inflows and outflows arising from scheduled future improvements or enhancements of the assets of these cash-generating units. To discount the cash flows, a pre-tax discount rate is applied that reflects current market assessments of the time value of money and the risks specific to each cash-generating unit.

The estimated cash flows are obtained from projections prepared by management of each CGU, which in general cover periods of five years, except when the characteristics of the business advise longer periods, and include growth rates based on the various approved business plans (which are reviewed periodically), considering, generally, zero growth rates for the years after those covered by the business plans. In addition, it should be noted that sensitivity analyses are conducted in relation to revenue growth, operating margins and discount rates in order to forecast the impact of future changes on these variables.

Flows from CGUs located abroad are calculated in the functional currency of these cash-generating units and are discounted using discount rates that take into consideration the risk premiums relating to each currency. The present value of the net flows thus obtained is translated to euros at the year-end exchange rate applicable to each currency.

f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

f.1) Finance leases

In finance leases, the Group acts solely as the lessee. In the accompanying consolidated balance sheet the Group recognises the cost of the leased assets and, simultaneously, recognises a liability for the same amount. This amount is the lower of the fair value of the leased asset and the present value, at the commencement of the lease, of the agreed minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the consolidated statement of profit or loss for the year in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the year in which it is incurred.

On expiry of the leases, the Group companies exercise the purchase option and the lease arrangements do not impose any restrictions concerning the exercise of this option. Also, the lease agreements do not contain any renewal, review or escalation clauses.

Assets held under finance leases are depreciated using the criteria detailed in sections a), c) and d) of this Note.

f.2) Operating leases

When the Group acts as the lessee, it charges the expenses from operating leases to income on an accrual basis.

When the Group acts as the lessor, income and expenses from operating leases are recognised in the consolidated statement of profit or loss on an accrual basis.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

g) Investments accounted for using the equity method

Investments in jointly ventures and associates are initially recognised at acquisition cost and are subsequently revalued to take into account the share of the results of these companies not distributed in the form of dividends. Also, the value of the investments is adjusted to reflect the proportion of the changes in these companies' equity that were not recognised in their statements of profit or loss. These changes include most notably translation differences and the adjustments arising from changes in the fair value of the cash flow hedges arranged by the companies.

Whenever there are indications of impairment, the Group makes the necessary valuation adjustments.

h) Financial assets

Financial assets are initially recognised at fair value, which generally coincides with their acquisition cost, adjusted by the transaction costs directly attributable thereto, except in the case of held-for-trading financial assets, the transaction costs for which are charged to profit or loss for the year.

All acquisitions and sales of financial assets are recognised at the transaction date.

The financial assets held by the Group companies are classified as follows:

- **Financial assets at fair value through profit or loss**, which comprise:
 - **held-for-trading financial assets**, which are assets acquired with the intention of realising them at short term based on fluctuations in their prices. These assets, which are expected to mature within twelve months, are included under "Other Current Financial Assets" in the accompanying consolidated balance sheet.

Held-for-trading financial assets which, when arranged, mature within three months or less and whose realisation is not expected to give rise to significant costs are included under "Cash and Cash Equivalents" in the accompanying consolidated balance sheet. These assets are considered to be investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and therefore relate basically to very short-term, highly liquid investments with a high turnover.
- **financial assets initially recognised at fair value through profit or loss**, which are financial assets not considered to be held for trading.
- **Held-to-maturity investments** are financial assets with fixed or determinable payments and fixed maturity. Those maturing within no more than twelve months are classified as current assets and those maturing within more than twelve months as non-current assets.

- **Loans and receivables** maturing within no more than twelve months are classified as current items and those maturing within more than twelve months as non-current items. This category includes collection rights arising from the application of IFRIC 12 “Service Concession Arrangements” as detailed in Note 3-a.
- **Available-for-sale financial assets** are securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments. They are classified as non-current in the accompanying consolidated balance sheet since it is intended to hold them at long term.

The financial assets at fair value through profit or loss and the available-for-sale financial assets were measured at their fair value at the reporting date. The fair value of a financial instrument is taken to be the amount for which it could be bought or sold by two knowledgeable, willing and experienced parties in an arm’s length transaction.

In the case of financial assets at fair value through profit or loss, the gains or losses arising from changes in fair value are recognised in net profit or loss for the year whereas in the case of available-for-sale financial assets, they are recognised in equity until the asset is disposed of, at which time the cumulative gains previously recognised in equity are recognised in profit or loss for the year, or it is determined that it has become impaired, at which time, once the cumulative gains previously recognised in equity have been reduced to zero, the loss is recognised in the consolidated statement of profit or loss.

Collection rights arising from a service concession arrangement are measured in accordance with the criteria detailed in Note 3-a.

Held-to-maturity investments, credits, loans and receivables originated by the Group are measured at the lower of amortised cost, i.e. the initial cost minus principal repayments plus the uncollected interest accrued on the basis of the effective interest rate, and market value. The effective interest rate is the rate that exactly matches the initial cost of the investment to all its estimated cash flows of all kinds through its residual life. Where appropriate, if there are signs that these financial assets have become impaired, the necessary valuation adjustments are made.

Trade receivables arising in the Group’s normal business activities are stated at their nominal value, reduced by the amounts considered to be non-recoverable.

The Group companies assign trade receivables to banks, without the possibility of recourse against them in the event of non-payment. These transactions bear interest at market rates and the Group companies continue to manage collection of the receivables.

Also, certain future collection rights arising from construction project contracts awarded under the lump-sum payment system were sold.

Through the sale and assignment of these collection rights, substantially all the risks and rewards associated with the receivables, as well as control over the receivables, were transferred, since no repurchase agreements have been entered into between the Group companies and the banks that have acquired the assets, and the banks may freely dispose of the acquired assets without the Group companies being able to limit this right in any manner. Consequently, in accordance with IFRSs, the Group derecognises the balances of receivables assigned or sold on the terms indicated above.

i) Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale and discontinued operations

Assets and liabilities whose carrying amount is recovered through a sale transaction rather than through continuing use are classified as non-current assets held for sale and liabilities associated with non-current assets classified as held for sale. This condition is regarded as met only when the sale is highly probable,

the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Discontinued operations represent Group components that are intended to be sold or disposed of by any other means, or are classified as held for sale. These components comprise operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group and represent separate lines of business or geographical areas of operations.

j) Inventories

Inventories are stated at average acquisition or production cost and the necessary valuation adjustments are made to reduce the carrying amount to net realisable value, if this is lower.

Assets received in payment of loans, located mainly in the FCC Construcción subgroup (in exchange for construction work performed or to be performed), are measured at the lowest of the following three values: the amount at which the loan relating to the asset was recognised, production cost and net realisable value.

k) Foreign currency

k.1) Translation differences

In general, the financial statements of foreign subsidiaries denominated in currencies other than the euro were translated to euros at the closing rates, with the exception of:

- Share capital and reserves, which were translated at historical exchange rates.
- The statement of profit or loss items of foreign operations, which were translated at the average exchange rates for the period.

Translation differences arising at the consolidated foreign companies through application of the year-end exchange rate method are included, net of taxes, in equity in the accompanying consolidated balance sheet, as shown in the accompanying consolidated statement of changes in equity.

k.2) Exchange rate differences

Balances receivable and payable in foreign currencies are translated to euros at the exchange rates prevailing at the date of the consolidated balance sheet, and the differences that arise are taken to income.

The differences resulting from fluctuations in exchange rates between the date on which the collection or payment was made and the date on which the transactions took place or their value was discounted are allocated to profit or loss.

Also, the exchange rate differences arising in relation to the financing of investments in foreign companies (in which the investment and the financing are denominated in the same currency) are recognised directly in equity as translation differences that offset the effect of the difference arising from the translation to euros of the foreign investee.

l) Equity instruments

Equity or capital instruments are recognised at the proceeds received, net of direct issue costs.

Treasury shares acquired by the Parent are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss.

m) Grants

Grants are recognised according to their nature.

m.1) Grants related to assets

Grants related to assets are grants which involve the acquisition or construction of assets. These grants are measured at the amount received or the fair value of the asset received; they are recognised as deferred income on the liability side of the accompanying consolidated balance sheet and are recognised in profit or loss as the asset or assets to which they relate are depreciated.

m.2) Grants related to income

Grants related to income are different from those described above in that they do not relate directly to an asset or group of assets. These grants are accounted for as operating income for the amount received when awarded, unless they are received to finance specific expenses, in which case they are recognised in profit or loss as the related expenses are incurred.

n) Provisions

The Group companies recognise provisions on the liability side of the accompanying consolidated balance sheet for present obligations arising from past events which the companies consider will probably require an outflow of resources embodying economic benefits to settle them on maturity.

These provisions are recognised when the related obligation arises and the amount recognised is the best estimate at the date of the accompanying consolidated financial statements of the present value of the future expenditure required to settle the obligation. The change in the year relating to the discount to present value is recognised as interest cost in the consolidated statement of profit or loss.

Provisions for dismantling, removal or restoration and environmental provisions are recognised by increasing the value of the related asset by the present value of the expenses that will be incurred when operation of the asset ceases. The impact on profit or loss arises when the asset concerned is depreciated (as described in previous sections of this Note) and when the provisions are discounted to present value (as described in the preceding paragraph).

Also, certain Group companies recognise provisions for restructuring costs when there is a detailed formal plan in place for this restructuring that has been communicated to the affected parties. At 31 December 2016, no liabilities for significant amounts had been recognised in this connection.

Provisions are classified as short-term or long-term provisions in the accompanying consolidated balance sheet on the basis of the estimated maturity date of the obligation covered by them, and long-term provisions are considered to be those the liability associated with which matures in a period exceeding the average cycle of the activity giving rise to the provision.

o) Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Borrowing costs are recognised on an accrual basis in the consolidated statement of profit or loss using the effective interest method and are added to the amount of the financial instrument to the extent that they are not settled in the year in which they arise.

Bank borrowings and other current and non-current financial liabilities maturing within no more than twelve months from the balance sheet date are classified as current liabilities and those maturing within more than twelve months are classified as non-current liabilities.

p) Financial derivatives and hedge accounting

A financial derivative is a financial instrument or other contract whose value varies in response to changes in certain variables, such as an interest rate, financial instrument price, foreign exchange rate, credit rating or credit index or any other variable, which may be of a non-financial nature.

Apart from giving rise to gains or losses, financial derivatives may, under certain conditions, fully or partially offset foreign currency or interest rate risks or risks relating to the value associated with balances and transactions. Hedges are accounted for as follows:

- Fair value hedges: in this case, the changes in fair value of the hedging instrument are recognised in profit or loss and offset the changes in fair value of the hedged item.
- Cash flow hedges: in hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the consolidated statement of profit or loss in the same period during which the hedged item affects profit or loss.
- Hedges of a net investment in a foreign operation: hedges of this type are aimed at covering foreign currency risk and are accounted for similarly to cash flow hedges.

Pursuant to IAS 39 “Financial Instruments: Recognition and Measurement”, in order to qualify for hedge accounting, a financial derivative must meet the following requirements:

- Formal designation and documentation, at inception of the hedge, of the hedging relationship and the entity’s risk management objective and strategy for undertaking the hedge.
- Documentation identifying the hedged item, the hedging instrument and the nature of the risk being hedged.
- Prospective (analytical) evidence of the effectiveness of the hedge.
- Objective and verifiable ex-post measurements.

In order to be classified as a hedging instrument, the derivative must undergo an effectiveness test. These effectiveness tests are adapted to the type of hedge and the nature of the instruments used:

- In cash flow hedges it is first verified that the critical terms of the hedging instrument and the hedged asset or liability – amounts, maturities, repayments, reference indices, review dates, etc. – are all the same.

In the case of interest rate swaps (IRSs) in which the FCC Group receives a floating rate equal to that of the hedged borrowings and pays a fixed rate, since the objective is to reduce the variability of the borrowing costs, the effectiveness is estimated using a test that prospectively and retrospectively checks that the changes in fair value of the cash flows of the IRS offset the changes in fair value of the hedged risk.

A hypothetical derivative is used to quantify the hedged risk, whereby the hedged risk is replicated, isolating it from the other factors that influence expected cash flows. Using this approach, the present value of the cash flows is calculated on the basis of the difference between the forward interest rates for the applicable periods at the date of the effectiveness test and the interest rate that would have been obtained had the debt been arranged at the market rate prevailing on inception of the hedge. The hedge will be considered highly effective where the changes in the fair value of the cash flows of the real derivative and the cash flows of the hypothetical derivative are offset within a range of 80% and 125%. If this is not the case, the derivative is not classified as a hedge and changes in its fair value are recognised in the consolidated statement of profit or loss.

For cash flow hedges in which the derivative hedging instrument is not an IRS but an option, the reduction in the variance of costs is taken into consideration only if the hedge is “activated”, i.e. if the reference rates fall within the hedged variability range. The methodology used once the hedge has been activated is the same as that used to test the effectiveness of the IRSs, with the exception that only the intrinsic value of the option will be taken into account in the effectiveness test, in accordance with IAS 39.

- The effectiveness test of fair value hedges -arranged using IRSs- is based on the comparison of the changes in the fair value of the hedged position and of the hedging instrument. The assessment of the effectiveness of this type of hedge is performed by isolating the effects of the credit risk of the liability and the change in value of the variable leg of the IRS, which does not affect the ultimate objective of the hedge but may give rise to apparent ineffectiveness due to the interest accrued at each date.

Although certain hedging instruments are not recognised as hedges, this is only for accounting purposes since for financial and management purposes all the hedges arranged by the FCC Group have, at inception, an underlying financial transaction and the sole purpose of hedging such transaction.

Derivatives do not qualify for hedge accounting if the hedge fails the effectiveness test, which requires the changes in the fair value or in the cash flows of the hedged item directly attributable to the hedged risk to be offset by changes in the fair value or in the cash flows of the hedging instrument within a range of 80% to 120%. When this does not occur, the changes in value are recognised in profit or loss.

Changes in the fair value of financial derivatives that do not qualify for hedge accounting are recognised in the consolidated statement of profit or loss as they arise.

The measurement of financial derivatives includes counterparty credit risk and is performed by experts on the subject that are independent from the Group and the entities financing it. The related values are calculated using methods and techniques defined on the basis of observable market inputs. For example:

- The IRSs were measured by discounting all the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule. This measurement was made using the zero-coupon yield curve determined by employing a bootstrapping process for the deposits and swaps traded at any given time. This zero-coupon yield curve was used to obtain the discount factors for the measurements, which were made assuming the absence of arbitrage opportunity (AAO). When there were caps and floors or combinations thereof, on occasions conditional upon special conditions being met, the interest rates used were the same as those used for the swaps, although in order to introduce the component of randomness in the exercise of the options, the generally accepted Black-Scholes model was used.

- In the case of a cash flow hedging derivative tied to inflation, the method used is very similar to that applied to interest rate swaps. The projected inflation is estimated on the basis of the inflation included implicitly in the ex-tobacco European inflation-indexed swaps quoted on the market and is aligned with Spanish inflation by means of a convergence adjustment.

Furthermore, a sensitivity test is carried out on the derivatives and net financial debt in order to be able to analyse the effect that a possible fluctuation in interest rates might have on the Group's accounts, assuming an increase and decrease in interest rates at year-end in various scenarios (Note 30).

Note 23 to these consolidated financial statements details the financial derivatives that the Group has arranged and other matters related thereto.

q) Income tax

The income tax expense is calculated on the basis of consolidated profit before tax, increased or decreased, as appropriate, by the permanent differences between taxable profit and accounting profit. Based on the legislation applicable to each company, the corresponding tax rate is applied to this adjusted accounting profit. Any tax relief and tax credits earned in the year are then deducted and any positive or negative differences between the tax charge estimated for the previous year's accounting close and the amount of tax subsequently paid are added to or deducted from, respectively, the resulting tax charge.

The temporary differences between the accounting profit and the taxable profit for income tax purposes, together with the differences between the carrying amounts of assets and liabilities recognised in the consolidated balance sheet and their tax bases give rise to deferred taxes which are recognised as non-current assets and liabilities. These amounts are measured at the tax rates that are expected to apply in the years in which they will foreseeably reverse, and in no circumstances are they discounted to present value.

The Group capitalises the deferred tax assets arising from temporary differences and tax loss carryforwards, except for those with respect to which there are reasonable doubts as to their future recovery.

r) Pension obligations

The Group companies have certain specific pension plan and similar obligations, which are described in Note 25 to these consolidated financial statements.

s) Operating income and expenses

In construction activities, the Group recognises results by reference to the stage of completion, determined by measuring the construction work performed in the year and the construction costs, which are recognised on an accrual basis. It recognises the revenue corresponding to the selling price of the completed construction work covered by a principal contract entered into with the owners, or by amendments thereto approved by the owners, or the revenue with respect to which there is reasonable certainty regarding its recovery, since construction project revenue and costs are susceptible to substantial variations during the performance period which cannot be readily foreseen or objectively quantified and, as the case may be, any claims arising that meet the accrual principle, only when the Group, based on internal and external reports by legal and technical advisers estimates that the claim will result in the receipt of the sums recorded as income, in any case the Group recognises no further income once legal action has been brought (Note 16). Budgeted losses are recognised as losses for the year. Budgeted losses are recognised as an expense in the consolidated statement of profit or loss for the year.

The revenue and expenses of the other activities are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

With regard to service concession arrangements, it should be noted that the FCC Group recognises as a result from operations the interest income arising from the receivables under the financial asset model, since the value of the financial asset includes both the construction services and the upkeep and maintenance services, which from an operational standpoint are identical to those represented by the intangible asset model and, consequently, it is considered that since both models relate to the operating activity of the Group, a fair representation is better achieved by including the income from the financial asset as a result from operations (Note 3-a).

The gains or losses arising on disposals of ownership interests in subsidiaries are also recognised as a result from operations when control of the subsidiaries is lost. Also, as indicated in Note 3-b above in relation to business combinations achieved in stages, the difference between the acquisition-date fair value of the previously held equity interest and the carrying amount of this equity interest is also recognised as profit or loss from operations.

The Group receives the CO₂ emission allowances for its cement business free of charge under the respective national allocation plans and it recognises the related income and expense flows when it sells its surplus allowances or purchases the allowances it requires.

t) Related party transactions

The Group performs all its transactions with related parties on an arm's length basis.

Note 31 to these consolidated financial statements details the main transactions with the significant shareholders of the Parent, its Directors and Senior Executives, between Group companies or entities and with companies in which the shareholders of the Group hold a participating interest.

u) Consolidated statement of cash flows

The FCC Group prepares its consolidated statement of cash flows in accordance with the indirect method under IAS 7 "Statement of Cash Flows", using the following terms with the meanings specified:

- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. Operating cash flows include most notably "Other Adjustments to Profit (Loss) (Net)" which consists of, primarily, items that are included in "Profit (Loss) before Tax" but do not have an impact on the change in cash, and items that are included in other line items of the consolidated statement of cash flows in accordance with their nature.
- Investing activities relate to the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities are activities that result in changes in the size and composition of the equity and borrowings of the Group.

For the purpose of preparing the consolidated statement of cash flows, "Cash and Cash Equivalents" were considered to be cash on hand, demand bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

v) Use of estimates

In the Group's consolidated financial statements for 2016 and 2015, estimates were made in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (Notes 7, 8 and 9).
- The measurement of goodwill (Note 7).
- The recoverability of amounts to be billed for construction work performed being processed (Notes 3.s and 16).
- The recoverability of deferred tax assets (Note 24).
- The amount of certain provisions and, in particular, those relating to claims and litigation (Note 19).
- The measurement of assets and liabilities classified as held for sale, when their net value is recognised at an amount less than the carrying amount, since their selling price, less costs to sell, is estimated to be lower than their carrying amount (Note 4).
- The identification and the determination of the fair value of the assets and liabilities acquired in business combinations (Note 5).
- The useful life of the intangible assets, property, plant and equipment and investment property (Notes 7, 8 and 9).
- The calculation of the recoverable amount of inventories (Note 15).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations (Notes 19 and 25).
- The market value of derivatives (Note 23)

In 2016 goodwill was impaired, mostly in the cement business. This impairment was partly due to a decrease in cement consumption in Spain during the year and the existence of more recent estimates from external sources pointing towards practically static behaviour in 2017. The business in Tunisia has also experienced lower sales and prices, together with the depreciation of the Tunisian dinar. In addition to these factors, the expected rise in fuel prices has resulted in less cash flow than forecast (Note 7.b).

In 2016 and 2015 impairment losses were recognised in order to reduce the carrying amount of certain assets held for sale to the amount expected to be obtained through their sale (Note 4).

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related future financial statements.

IFRS 7 "Financial Instruments: Disclosures" requires that the fair value measurements of financial instruments, both assets and liabilities, be classified in accordance with the significance of the variables used in the measurements. For this purpose, it establishes the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.

- Level 2: inputs other than quoted prices that are observable for the financial instrument, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the financial instrument that are not based on observable market data.

Substantially all the Group's financial assets and liabilities measured at fair value are Level 2.

4. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" (Note 3-i), the assets for which there were sale plans were reclassified. The FCC Group considers as discontinued operations activities which, individually or as a whole, regardless of whether they represent a business segment (Note 28), represent a major line of business for the Group and are managed separately from the others.

The assets held for sale, after deducting their liabilities, were measured at the lower of carrying amount and the expected selling price less costs to sell, which gave rise to the recognition of the related impairment losses.

On 17 March the agreement was completed to close the operation to sell the shares of Globalvia Infraestructuras S.A. to Optrust Infrastructure Europe I S.a.r.l., Stichting Depositary PGM Infraestructure Funds and USS Nero Limited, as the purchasers. The total sale price includes an initial payment received when the operation was closed (EUR 83,817 thousand) and a deferred price, consisting of sum to be determined by a formula linked to the stake that would be held by Globalvia Infraestructuras S.A. in Globalvia Inversiones S.A. on the conversion date of the convertible bond, plus interest accrued, which as at 31 December 2016 was EUR 106,040 thousand (Note 33). During the year, before the closure of the operation was signed, a total of EUR 8,661 thousand was received in dividends in 2016.

Furthermore, at the end of the operation an escrow account was set up with an initial balance in the Group's favour of EUR 27,303 thousand, included under the heading "Other financial assets". This escrow account guarantees for the purchasers that deposits given by the company to third parties to address financial undertakings will be executed. The Group will receive the cash as the guarantees are released. During the year EUR 6,854 thousand was released and received in July and October 2016, respectively. It will also receive the sum, net of expenses, obtained from the sale or liquidation of the companies excluded from the perimeter for the transaction that legally remain as subsidiaries of Globalvia Infraestructuras S.A. On the date of closure of these consolidated financial statements this figure was EUR 1,100 thousand.

In 2015, once the conditions precedent had been fulfilled, the sale of the Cemusa Group was completed, and the assets in Portugal were excluded from the scope of consolidation as a result of the adverse judgment handed down by the competition authority in Portugal. The result up to the sale and the result on disposal were recognised under "Profit (Loss) for the Year from Discontinued Operations, Net of Tax" in the accompanying consolidated statement of profit or loss. The aforementioned assets in Portugal continue to be classified as a discontinued operation, as there is a plan to sell them, and their carrying amount is zero.

The sections below detail the results, cash flows and balance sheet items relating to assets and liabilities classified as held for sale and discontinued operations.

Statement of profit or loss

The detail of the result after tax from discontinued operations shown in the accompanying consolidated statement of profit or loss is as follows:

	Cemusa Group	Globalvia Group	Total
2016			
Revenue	9.077	—	9.077
Operating expenses	(7.466)	—	(7.466)
Profit (Loss) from operations	1.611	—	1.611
Profit (Loss) before tax	912	(39.555)	(38.643)
Income tax	(87)	32.260	32.173
Impairment losses on discontinued operations after tax	(825)	—	(825)
Profit (Loss) for the year from discontinued operations, net of tax	—	(7.295)	(7.295)
Profit (Loss) attributable to non-controlling interests	—	—	—
	Cemusa Group	Globalvia Group	Total
2015			
Revenue	111,774	—	111,774
Operating expenses	(87,879)	—	(87,879)
Profit (Loss) from operations	27,068	—	27,068
Profit (Loss) before tax	4,261	—	4,261
Income tax	7,190	75	7,265
Impairment losses on discontinued operations after tax	(100,587)	(250)	(100,837)
Profit (Loss) for the year from discontinued operations, net of tax	(89,136)	(175)	(89,311)
Profit (Loss) attributable to non-controlling interests	(541)	—	(541)

Once the Globalvia sale was complete, the tax impact of the operation was recorded, including the reversion of the deferred tax associated with that holding and the recording in profit and loss of the corresponding valuation adjustments (Note 18), which were the main components of the results from interrupted activities in the period.

Worthy of Note in 2015 was the impairment losses after tax recognised on the Cemusa Group, amounting to EUR 100,587 thousand, in order to reduce the carrying amount of its net assets to their estimated selling price less costs to sell. The additional impairment losses recognised in 2016 addressed to the change in the selling price with respect to 2015 year-end, partly because the sale, which was expected to have been completed by the end of January 2015 on fulfilment of the condition precedent consisting of approval by New York City Council had not been completed at that time. The delay in the sale increased the Cemusa Group's net financial debt and, as a result, reduced the selling price. Also, due to the additional adjustment of EUR 20,000 thousand agreed upon with the seller, arising from a downward adjustment of the cash flows of the New York concession arrangement as a result of an increase in advertising space due to the organisation of a new tender process for advertising on telephone booths.

In relation to the income tax recognised on the result from discontinued operations, the amount relating to the discontinued operation itself represented an income tax expense of EUR 87 thousand at 31 December 2016 (31 December 2015: benefit of EUR 899 thousand), while the loss from the sale of Globalvia resulted in the recognition of an income tax profit of EUR 32,260 thousand at 31 December 2016 (31 December 2015: EUR 8,164 thousand) corresponding to Globalvia and Cemusa.

Statement of cash flows

The statement of cash flows relating to discontinued operations is as follows:

	Cemusa Group
2016	
Profit (Loss) before tax from discontinued operations	912
Adjustments to profit (loss)	1,103
Changes in working capital	49
Other cash flows from operating activities	(335)
Cash flows from operating activities	1,729
Payments due to investments	(551)
Proceeds from disposals	82
Other cash flows from investing activities	—
Cash flows from investing activities	(469)
Proceeds and (payments) relating to equity instruments	—
Proceeds and (payments) relating to financial liability instruments	(875)
Other cash flows from financing activities	(432)
Cash flows from financing activities	(1,307)
Total cash flows	(47)

	Cemusa Group
2015	
Profit (Loss) before tax from discontinued operations	4,261
Adjustments to profit (loss)	38,797
Changes in working capital	(13,049)
Other cash flows from operating activities	(7,311)
Cash flows from operating activities	22,698
Payments due to investments	(78,031)
Proceeds from disposals	613
Other cash flows from investing activities	(598)
Cash flows from investing activities	(78,016)
Proceeds and (payments) relating to equity instruments	—
Proceeds and (payments) relating to financial liability instruments	80,806
Other cash flows from financing activities	(9,719)
Cash flows from financing activities	71,087
Total cash flows	15,769

Balance sheet. Non-current assets and liabilities classified as held for sale

Following is a detail of the various assets and liabilities reclassified as held for sale under the respective headings in the accompanying balance sheet:

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Cemusa Portugal Group	14,907	14,907	15,887	15,887
Globalvia Group	—	—	220,000	—
	14,907	14,907	235,887	15,887

Following is a detail, by balance sheet heading, of the assets and liabilities presented under the respective held-for-sale headings:

	2016	2015
Property, plant and equipment	16,655	16,722
Intangible assets	348	673
Financial assets	—	333,322
Deferred tax assets	267	323
Current assets	4,765	4,401
Impairment of non-current assets classified as held for sale	(7,128)	(119,554)
Non-current assets classified as held for sale	14,907	235,887
Non-current financial liabilities	—	760
Other non-current liabilities	2,183	2,472
Current financial liabilities	9,229	8,868
Other current liabilities	3,495	3,787
Liabilities associated with assets classified as held for sale	14,907	15,887

5. CHANGES IN THE SCOPE OF CONSOLIDATION

In 2016 the main variations noted within the consolidation perimeter were as follows:

- On 17 March 2016 the sale was completed to the USS, OPTrust, USS Nero and PGGM funds of the company Globalvia Infraestructuras S.A. was completed, with the receipt of the full price of EUR 95,161 thousand established under the agreement reached last year. Also, EUR 8,661 thousand has been received from Globalvia Infraestructuras S.A. in returned contributions, with a final sum of EUR 106,040 thousand pending until February 2017, recorded under current financial assets (Notes 4 and 33).
- Approval on 28 October 2016 of a capital-increase operation at the subsidiary Giant Cement Holding Inc. (Cement Division) of USD 220 million, fully subscribed by Elementia S.A. de C.V., a company associated with the majority shareholder, together with the granting by part of the latter of credit of approximately USD 305 million and the capitalisation of intragroup loans granted by the Group totalling approximately USD 66 million. As a result of this operation, the Group has lost control of the aforementioned company and has consolidated it by the equity method at 35.60% (79.08% at the end of 2015). This loss of control has resulted in a profit recorded in the enclosed statement of profit and loss of EUR 54,323 thousand, mostly as a result of the recording at fair value of the withheld holding, as provided under the applicable regulations (Notes 12, 28 and 31).
- Sale of the 10.01% stake that the Group held in the company Metro de Málaga S.A. on 8 April 2016; the sale price was EUR 27,446 thousand, with a profit of EUR 13,773 thousand (Notes 12 and 27).

The following operations also took place:

- On 30 December 2016 the acceptance period for the Cementos Portland Valderrivas S.A. exclusion public acquisition bid (OPA) began, ending on 13 February 2017. The bid was targeted at 100% of the subsidiary's share capital, except for the shares held by the group and the treasury shares held by Cementos Portland S.A. itself, at a price of 6 euros per share. The number of shares targeted by the OPA is 10,655,503, which makes the maximum value of the operation EUR 63,933 thousand. The final result of the OPA is described in Note 33 of these financial statements.
- On 28 December 2016, Realía Business S.A. completed a capital-increase operation, in which the Group subscribed shares in proportion to its holding, as a result of which its participating interest has Note varied in respect of its percentage stake as at 31 December 2015. The Group subscribed 68,026,898 shares by paying up EUR 54,422 thousand (Notes 12 and 31).

- The Group has reached an agreement to sell a company associated with the majority shareholder to sell shares representing 85% of the capital of Concesionaria Túnel de Coatzacoalcos S.A., still pending approval of the operation by the government of the State of Veracruz. Consequently, the Group has received an advance from the purchaser of EUR 48,396 thousand (MXN 1,000,000 thousand), leaving EUR 17,828 thousand (MXN 367,692 thousand at the year-end exchange rate) pending receipt at the end of the operation (Note 31).

As a result these operations, the enclosed consolidated cash-flow statement includes as disinvestments the incoming flow of receipts from the sale of Globalvia and the advance received under the heading "Group companies, associates and business units", and the sale of Metro de Málaga under "Other financial assets". The payment associated with capital increase at Realia has been recorded as an investment under "Group companies, associates and business units".

The sale of the Cemusa Group was completed on 13 November 2015 (Note 4). The FCC Group subscribed 56,689,080 shares in the capital increase effected by Realia Business S.A., for EUR 32,880 thousand, during the preference-subscription process that ended on 30 December 2015 (Note 12). As, under the conditions established for the capital increase, the sum subscribed was callable at the time of subscription, an increase in the value of the investment of EUR 32,880 thousand was registered under "Other current financial assets", as it was still pending payment as at 31 December 2015, recorded as payments for investments in the enclosed consolidated cash-flow statement.

6. DISTRIBUTION OF PROFIT OR LOSS

Although Fomento de Construcciones y Contratas, S.A. did not distribute a dividend in 2016 or 2015, certain subsidiaries with non-controlling interests did distribute a dividend, which gave rise to the following payments to those non-controlling interests:

	2016	2015
Shareholders of Fomento de Construcciones y Contratas, S.A.	—	—
Other non-controlling interests of the other companies	11,662	15,041
	11,662	15,041

7. INTANGIBLE ASSETS

The detail of the carrying amount of intangible assets at 31 December 2016 and 2015 is as follows:

	Cost	Accumulated amortisation	Impairment	Carrying amount
2016				
Concessions (Note 11)	2,135,913	(727,298)	(57,924)	1,350,691
Goodwill	1,887,459	—	(792,898)	1,094,561
Other intangible assets	335,051	(234,291)	(9,754)	91,006
	4,358,423	(961,589)	(860,576)	2,536,258
2015				
Concessions (Note 11)	2,109,050	(648,472)	(56,959)	1,403,619
Goodwill	2,042,532	—	(546,623)	1,495,909
Other intangible assets	368,633	(230,995)	(10,746)	126,892
	4,520,215	(879,467)	(614,328)	3,026,420

a) Concessions

The changes in “Concessions” in the consolidated balance sheet in 2016 and 2015 were as follows:

	Cost	Accumulated amortisation	Impairment
Balance at 31.12.14	1,999,926	(578,974)	(54,705)
Additions or charge for the year	106,526	(69,742)	(2,168)
Disposals or reductions	(228)	226	609
Changes in the scope of consolidation, translation differences and other changes	2,364	54	3,216
Transfers	462	(36)	(3,911)
Balance at 31.12.15	2,109,050	(648,472)	(56,959)
Additions or charge for the year	72,084	(81,741)	562
Disposals or reductions	(1,765)	1,250	713
Changes in the scope of consolidation, translation differences and other changes	(50,939)	1,663	—
Transfers	7,483	2	(2,240)
Balance at 31.12.16	2,135,913	(727,298)	(57,924)

“Concessions” includes the intangible assets relating to the service concession arrangements (Note 11).

The most significant additions in 2016 relate to FCC Environment Group (UK) - PFI Holdings (EUR 24,120 thousand (2015: EUR 77,110 thousand)), FCC (E&M) Ltd. (EUR 9,576 thousand (a company incorporated in 2016)), Acque di Caltanissetta, S.P.A. (EUR 3,745 thousand (2015: 12,067 thousand)) and concessions operated by FCC Aqualia, S.A. (EUR 10,301 thousand (2015: EUR 5,831 thousand)).

In 2016 and 2015 there were no significant outgoing.

Incoming and outgoing sums resulted in cash flow recorded on the enclosed cash-flow statement as “Payments for investments” and “Receipts for disinvestments” under “Tangible and intangible assets and property investments”, respectively.

“Changes in the scope of consolidation, translation differences and other changes” in 2016 include the depreciation of the pound sterling and the Mexican peso against the euro. Total negative variations of EUR 50,939 thousand include negative conversion differences resulting in a reduction of EUR 25,088 thousand in the UK group FCC-PFI Holdings and EUR 32,684 thousand in the concessionaire company Túnel de Coatzacoalcos S.A.

The borrowing costs capitalised in 2016 amounted to EUR 1,109 thousand (2015: EUR 726 thousand) and accumulated capitalised borrowing costs amounted to EUR 23,099 thousand (2015: EUR 23,168 thousand).

b) Goodwill

The breakdown of the goodwill in the accompanying consolidated balance sheets as at 31 December 2016 and 2015 is as follows:

	2016	2015
Cementos Portland Valderrivas, S.A.	509,397	809,351
FCC Environment (UK) Group	304,824	356,484
A.S.A. Group	136,891	136,891
FCC Aqualia, S.A.	82,764	82,763
FCC Ámbito, S.A.	23,311	23,311
Giant Cement Holding, Inc.	—	32,613
FCC Industrial e Infraestructuras Energéticas, S.L.U.	21,499	21,499
Marepa Group	2,867	12,220
FCC Construcción de Centroamérica Group	—	8,460
Canteras de Aláiz, S.A.	4,332	4,332
Cementos Alfa, S.A	3,712	3,712
Other	4,964	3,404
	1,094,561	1,495,909

Goodwill movements on the enclosed consolidated balance sheet in 2016 and 2015 were as follows:

Balance at 31.12.14		1,472,038
Changes in the scope of consolidation, translation differences and other changes		
FCC Environment (UK) Group	20,566	
Giant Cement Holding, Inc.	3,305	23,871
Balance at 31.12.15		1,495,909
Changes in the scope of consolidation, translation differences and other changes		
FCC Environment (UK) Group	(50,761)	
Giant Cement Holding, Inc.	(32,613)	
Other	<u>(128)</u>	(83,502)
Impairment losses on assets		
Cementos Portland Valderrivas, S.A.	(299,955)	
Marepa Group	(9,353)	
FCC Construcción América	(8,460)	
Other	<u>(78)</u>	<u>(317,846)</u>
Balance at 31.12.16		1,094,561

“Changes in the scope of consolidation, translation differences and other changes in 2016 include, on the one hand, the effect of the depreciation of the pound sterling against the euro, which resulted in a decrease of EUR 50,761 thousand (appreciation with an increase of EUR 20,566 thousand in 2015) of goodwill associated with the UK group FCC Environment (UK), formerly the WRG group. And, on the other hand, the deregistration of the goodwill associated with Giant Cement Holding Inc. after the capital-increase operation at the former dependent company, as a result of which the Group lost control (Note 5).

The impairment tests performed by the Group on its goodwill are described in Note 3.b. Based on the methods used and on the estimates, projections and valuations available to Group management, there are no signs of any further impairment losses in addition to those shown on the above chart.

Following is a description of the most significant estimates and sensitivity tests performed in the impairment tests on goodwill.

Cementos Portland Valderrivas

The Group has assessed the recoverability of its investment in the Cementos Portland group based on its value in use, since EUR 423,289 thousand in financial support has been provided as at 31 December 2016. The consolidated book value as at 31 December 2016 is EUR 247,808 thousand, to which we must add the aforementioned loans of EUR 423,289 thousand to arrive at a total of EUR 671,097 thousand (EUR 673,495 thousand as at 31 December 2015). The value of the holding according to its stock-market quotation rate as at 31 December 2016 is EUR 241,338 thousand.

As a result of the impairment test in 2016, goodwill has been impaired by EUR 299,955 thousand, resulting in a balance as at 31 December 2016 of EUR 509,397 thousand (EUR 809,351 thousand as at 31 December 2015). Following the impairment, two separate goodwill items have been recorded in the individual accounts of Cementos Portland Valderrivas S.A.:

- goodwill from the takeover of the group's parent Corporación Uniland and some of its subsidiaries totalling EUR 395,892 thousand (EUR 583,082 thousand as at 31 December 2015),
- EUR 113,505 thousand relating to the cash-generating unit (CGU) consisting of the Alcalá de Guadaira plant.

Also included in 2015 was goodwill of EUR 112,764 thousand arising from the successive acquisitions by Fomento de Construcciones y Contratas, S.A. (the Parent of the Group) of additional ownership interests in Cementos Portland, which has been impaired in full this year.

Given the signs of impairment that became evident as a result of the impairment of the goodwill associated with Uniland, one of the main UGEs of the Cementos Portland subgroup, an impairment test has been performed, considering the UGE made up of the cement business as a whole, based on the hypotheses described below. To perform this impairment test, a before-tax discount rate of 8.64% was considered, weighting the mix of businesses and markets in which the subgroup operates. The impairment test has revealed the need to impair the entire goodwill, totalling 112,764 (Note 27).

In addition, in order to confirm the impairment test, the Group contracted an independent expert, who proceeded to use the internal information provided and other information from external sources to estimate the value in use of the Cementos Portland subgroup for its business in Spain and Tunisia. The report concluded that its book value was greater than its value in use within a range with a similar average value to that of the impairment performed.

The Cementos Portland Valderrivas Group bases its cash flow projections on historical data and the future projections of both the Group and external organisations. In April 2016 the Company prepared its “Business Plan 2017–2026”. In the third quarter of the year, owing to the negative evolution of the

markets, the flows of the “Business Plan 2017-2026” used as the basis for the calculation of the current impairment tests were updated.

During the first quarter of 2016 cement consumption in Spain, correcting for the seasonal effect of Easter week, grew by 1.2% compared with the same period last year, and the turnover of the CPV group grew by 6.6% compared with the first quarter of 2015, owing to growth in the United States and, to a lesser extent, the contribution by Tunisia, which offset the drop in earnings in Spain (6.1%) despite increasing exports.

In the second quarter of 2016 activity in the sector began to worsen, mostly because of the 24.8% fall in public tendering, which was only partly offset by the increase in housing started, such that cement consumption in Spain fell by 2.3% (accumulated data in June) compared with the same period in 2015. Finally, in the third quarter of 2016 the drop in cement consumption in Spain was consolidated, with 2.9% less than the previous year.

In addition, external reports published in September 2016 significantly lowered the forecasts for cement consumption in Spain for 2016 y 2017, estimating a drop of 3.1% for 2016 (compared with estimates in late 2015 forecasting 7% growth for 2016) and practically static behaviour for 2017. The decrease in earnings in Spain was 6.1%.

The CPV group's business in Tunisia has seen falling sales and prices, which, together with falling exchange rates for the Tunisian dinar, has led to a 10.5% drop in the CPV group's earnings in Tunisia.

In summary, the latest estimates from the cement business association forecast this fall in cement consumption in Spain. This, together with the other factors affecting international markets mentioned above, made it necessary in the third quarter for the cash-flow estimates prepared by the Group in April 2016 to be updated.

Following is a description of the main assumptions used in each of the impairment tests performed on the two aforementioned CGUs.

1) Corporación Uniland

In August 2006 Cementos Portland Valderrivas, S.A. acquired a 51.04% ownership interest in the Corporación Uniland Group. The related agreement granted the seller a put option on an additional 22.50%, exercisable in five years. In December 2006 a portion of the option, representing 2.18%, was exercised. The total acquisition price was EUR 1,144,134 thousand.

Additional ownership interests were acquired in subsequent years through the exercise of the aforementioned put option (20.32%) for a total amount of EUR 432,953 thousand. Lastly, an exchange transaction was performed in 2013 whereby the ownership interest in Cementos Lemona was given up in exchange for the non-controlling interest owned by the Irish cement group CRH. As a result of this transaction, the Group obtained all the shares of Uniland. The transaction was valued at EUR 321,886 thousand. The total cost of the 100% ownership interest in Uniland amounted, therefore, to EUR 1,898,973 thousand.

The aforementioned additional acquisitions gave rise to a negative impact on reserves of EUR 177,292 thousand, as a result of the application of IFRS 3 from its entry into force in 2009. In 2011 impairment losses of EUR 239,026 thousand were recognised in relation to the aforementioned acquisitions, as a result of the market slump in the cement industry, which is not expected to recover in the short or medium term. This year further impairment of EUR 181,191 thousand has been recorded.

As indicated above, the parent of the Corporación Uniland Group and certain of its subsidiaries were absorbed by Cementos Portland Valderrivas, S.A. and, accordingly, the goodwill of the former is recognised in the separate financial statements of Cementos Portland Valderrivas, S.A.

The main variables used in the test are as follows:

- Discounted cash flow period: 2017 to 2026
- Discount rate before tax: 8.14%
- Perpetuity growth rate: 0%
- Compound annual growth rate (in euros) of the Spanish cement market:
 - o Revenue from domestic market (without CO₂ allowances): 11.29%
 - o Revenue from export market: 5.63%
 - o Gross profit (loss) from operations: 16.4%
- Compound annual growth rate (in dinars) of the Tunisian cement market:
 - o Total revenue: 5%
 - o Revenue from domestic market: 6.96%
 - o Revenue from export market: 31.0%
 - o Gross profit (loss) from operations: 4.9%

Using the framework described in the impairment test, a slight drop in earnings is forecast for 2017, with recovery expected for the 2018–2023, with growth oscillating in the 6–9% range, while growth for other years is expected to fall to 3–4%. The gross operating margin is reduced to 22.7% for 2017, then gradually growing to a margin of 32.3% by 2026, the last year in the series. This growth is driven mainly by the characteristics of the cement market in which, once fixed costs are covered, the margin increases significantly since the variable costs are very low compared with revenue growth. In view of the characteristics of the business and its cycle, a ten-year time horizon was considered, and the estimated cash flows were discounted using a discount rate before tax of 8.14%, a weighted mix of the markets where it operates, i.e., Spain and Tunisia. A zero growth rate was used to calculate the perpetual return. The present value of the perpetual return represents 54.8% of the total recoverable amount. The result of the test shows impairment of EUR 187,191 thousand; an increase of 100 basic points in the discount rate would have resulted in impairment of EUR 294,398 thousand, while a 10% drop in the current value of flows would have resulted in impairment of EUR 272,113 thousand.

2) Alcalá de Guadaira

Also, the Alcalá de Guadaira plant is taking advantage of its geographical location to offset the drop in the domestic market with increased exports.

The main variables used in the test are as follows:

- Discounted cash flow period: 2017 to 2026
- Discount rate before tax: 7.37%
- Perpetuity growth rate: 0%
- Compound annual growth rate:
 - o Total revenue: 9.6%
 - o Gross profit (loss) from operations: 13.3%

For the performance of the impairment test, in view of the features and cycle of the cement business, the projections considered a ten-year time horizon and a 7.37% discount rate before tax. A zero growth rate was used to calculate the perpetual return. The present value of the perpetual return represents 66.9% of the total recoverable amount. The current projections disclose that the recoverable amount is EUR 45,766 thousand higher than the CGU's carrying amount and would withstand an increase in the discount rate of more than 160 basis points and a reduction of operating margins of approximately 60%.

FCC Environment (UK) Group, formerly WRG Group

In 2006 the FCC Group acquired all of the shares of the FCC Environment (UK) Group for an investment cost of EUR 1,693,532 thousand.

It should be noted that in 2012 impairment losses of EUR 190,229 thousand were recognised on goodwill, as a result of the decrease in cash flows from the latter's activities due to changes in their timing and amount. In 2013 additional impairment losses of EUR 236,345 thousand were recognised on goodwill, mainly as a result of the decrease in the tonnage treated at landfills. Lastly, in 2015 impairment losses of EUR 649,681 thousand were recognised on landfill activity-related items of property, plant and equipment.

Subsequent to the write-downs and the changes arising from the results and changes in equity of FCC Environment (UK), the consolidated carrying amount at 31 December 2016 was EUR 574,147 thousand.

From the moment of its acquisition, the Group considered the FCC Environment (UK) subgroup as a single cash-generating unit (CGU), as the goodwill recognised in the balance sheet related solely to that CGU. Landfill-related activities are not considered, nor were they considered in the past, as a separate CGU.

The cash flows considered in the impairment test take into consideration the current situation of the CGU, and the best estimates of the future cash flows are performed based on the mix of activities expected in the future. The relative weight of the various activities will vary as the Group strengthens other waste treatment alternatives, which the subgroup already does, offsetting the gradual abandonment of landfill activities.

The main hypotheses used show a 2.2% decrease in income for 2017; subsequently we find a certain amount of recovery with discreet growth, the highest being 4.4% for 2020 and even a slip back of 2.2% in 2021. The gross operating margin remains in the 23–24% range for the 2020–2025 period, i.e. somewhat lower than at present, due largely to the change in the mix of activities, with activities with lower margins gaining relative importance. The discount rate before tax used was 4.36% and a ten-year

time horizon was considered for the estimates, in view of the structural characteristics of its business and the long useful lives of its assets. A 1% growth rate was used to calculate the perpetual return. The present value of the perpetual return represents 77.7% of the total recoverable amount. The test showed that the recoverable amount of the cash-generating unit is EUR 689,930 thousand higher than its carrying amount and would withstand an increase of just over 330 basis points without incurring in impairment, a 10% decrease in current cash-flow values would reduce the surplus to EUR 558,106 thousand. Considering zero growth, the surplus would have fallen to EUR 455,133 thousand.

Note 3.e to these consolidated financial statements establishes that the general criterion was not to consider growth rates in the perpetual return but rather, in the case of the FCC Environment (UK) subgroup, given the transformation occurring in the mix of activities, it was considered that a 1% growth rate was a fairer representation of the reality of the business in the framework of the changes occurring in UK waste treatment industry, with a sharp decline in the dumping of waste at landfills and an increase in alternative waste treatment activities, which is expected to persist over a prolonged period of time. This growth rate is lower than that applied by comparable companies carrying on similar activities in the UK. The subgroup is gradually decreasing due to its lack of profitability, and this abandonment is being offset by an increase in other waste treatment activities as indicated. Accordingly, the growth rate used in calculating the perpetual return includes the gradual increase in the other activities, offsetting the reduced value of the perpetual return offered by landfill activities.

Given the room for manoeuvre in the impairment test and the fact that the business's key assets and liabilities are linked to the same currency (pound sterling), no impairment should be expected to come to light as a result of Brexit.

c) Other intangible assets

The changes in "Other Intangible Assets" in the consolidated balance sheet in 2016 and 2015 were as follows:

	Other intangible assets	Accumulated amortisation	Impairment
Balance at 31.12.14	351,474	(206,781)	(15,454)
Additions or charge for the year	18,285	(24,222)	—
Disposals or reductions	(7,481)	2,038	4,726
Changes in the scope of consolidation, translation differences and other changes	3,393	(2,030)	(3,930)
Transfers	2,962	—	3,912
Balance at 31.12.15	368,633	(230,995)	(10,746)
Additions or charge for the year	10,609	(25,867)	993
Disposals or reductions	(12,449)	5,997	—
Changes in the scope of consolidation, translation differences and other changes	(32,040)	16,651	—
Transfers	298	(78)	—
Balance at 31.12.16	335,051	(234,292)	(9,753)

The heading "Changes in the scope of consolidation, translation differences and other changes" in 2016 includes the loss of control of the Giant subgroup in the Cement division, which began to be consolidated by the equity method (Note 5), giving rise to a decrease of EUR 15,031 thousand under "Other intangible assets".

This heading includes mainly:

- amounts paid to public or private bodies in relation to fees for the award of contracts that do not qualify as concession arrangements pursuant to IFRIC 12 "Service Concession Arrangements", relating mainly to the Environmental Services Area;
- the amounts recorded on initial recognition of certain business combinations representing items such as customer portfolios and contracts in force on the purchase date;
- the rights to operate quarries relating to the Cement Area; and
- computer software.

8. PROPERTY, PLANT AND EQUIPMENT

The detail of the carrying amount of property, plant and equipment at 31 December 2016 and 2015 is as follows:

	Cost	Accumulated depreciation	Impairment	Carrying amount
2016				
Land and buildings	1,336,192	(496,647)	(59,181)	780,364
Land and natural resources	637,733	(130,384)	(44,226)	463,123
Buildings for own use	698,459	(366,263)	(14,955)	317,241
Plant and other items of property, plant and equipment	7,285,173	(4,907,642)	(637,640)	1,739,891
Plant	4,534,018	(2,804,981)	(619,808)	1,109,229
Machinery and transport equipment	2,058,872	(1,617,877)	(14,825)	426,170
Property, plant and equipment in the course of construction and advances	49,447			49,447
Other items of property, plant and equipment	642,836	(484,784)	(3,007)	155,045
	8,621,365	(5,404,289)	(696,821)	2,520,255
2015				
Land and buildings	1,574,518	(542,385)	(96,860)	935,273
Land and natural resources	784,772	(148,547)	(81,148)	555,077
Buildings for own use	789,746	(393,838)	(15,712)	380,196
Plant and other items of property, plant and equipment	8,180,431	(5,269,089)	(720,381)	2,190,961
Plant	5,350,270	(3,123,041)	(702,251)	1,524,978
Machinery and transport equipment	2,109,414	(1,640,416)	(15,115)	453,883
Property, plant and equipment in the course of construction and advances	51,817	—	—	51,817
Other items of property, plant and equipment	668,930	(505,632)	(3,015)	160,283
	9,754,949	(5,811,474)	(817,241)	3,126,234

The changes in 2016 and 2015 in property, plant and equipment accounts were as follows:

	Land and natural resources	Buildings for own use	Land and buildings	Plant	Machinery and transport equipment	Property, plant and equipment in the course of construction and advances	Other items of property, plant and equipment	Plant and other items of property, plant and equipment	Accumulated depreciation	Impairment
Balance at 31.12.14	791,872	760,311	1,552,183	5,083,305	2,046,456	64,518	658,552	7,852,831	(5,477,187)	(773,353)
Additions or charge for the year	49	22,153	22,202	20,354	95,927	48,550	42,179	207,010	(338,829)	(13,290)
Disposals or reductions	(33,537)	(18,443)	(51,980)	(16,001)	(80,019)	(1,062)	(37,833)	(134,915)	134,307	13,205
Changes in the scope of consolidation, translation differences and other changes	23,042	22,043	45,085	231,451	26,920	(316)	4,002	262,057	(130,164)	(43,839)
Transfers	3,346	3,682	7,028	31,161	20,130	(59,873)	2,030	(6,552)	399	36
Balance at 31.12.15	784,772	789,746	1,574,518	5,350,270	2,109,414	51,817	668,930	8,180,431	(5,811,474)	(817,241)
Additions or charge for the year	1,884	12,348	14,232	24,037	84,548	62,128	24,814	195,527	(272,737)	(17,067)
Disposals or reductions	(162)	(7,661)	(7,823)	(3,949)	(107,580)	(2,748)	(32,404)	(146,681)	143,809	2,238
Changes in the scope of consolidation, translation differences and other changes	(164,434)	(103,473)	(267,907)	(881,935)	(31,434)	(4,151)	(33,392)	(950,912)	539,640	135,248
Transfers	15,673	7,499	23,172	45,595	3,924	(57,599)	14,888	6,808	(3,527)	—
Balance at 31.12.16	637,733	698,459	1,336,192	4,534,018	2,058,872	49,447	642,836	7,285,173	(5,404,289)	(696,822)

The most significant “Additions” in 2016 were the investments made for the performance of contracts in the Environmental Services Area, mainly at Fomento de Construcciones y Contratas, S.A., amounting to EUR 54,217 thousand (2015: EUR 59,045 thousand), at the FCC Environment (UK) Group (formerly the WRG Group), amounting to EUR 33,923 thousand (2015: EUR 37,529 thousand), at the ASA Group, amounting to EUR 32,538 thousand (2015: EUR 27,548 thousand) and those made in the Integral Water Management Area, primarily by SmVak, amounting to EUR 17,608 thousand (2015: EUR 18,358 thousand).

“Disposals or Reductions” includes disposals and inventory reductions relating to assets which, in general, have been depreciated substantially in full since they have reached the end of their useful lives.

Incoming and outgoing sums resulted in cash flow recorded on the enclosed cash-flow statement as “Payments for investments” and “Receipts for disinvestments” under “Tangible and intangible assets and property investments”, respectively.

“Changes in the scope of consolidation, translation differences and other changes” in 2016 includes, in contrast to 2015, the effect of the depreciation of the pound and the dollar against the euro. The total impairment of EUR 135,248 thousand includes negative conversion differences, which caused a reduction under “Plant” of EUR 98,222 thousand (increase of EUR 39,693 thousand in 2015) at the UK group FCC Environment (UK), formerly the WRG group. Also, the loss of control of the Giant subgroup in the Cement division, which began to be consolidated by the equity method (Note 5), gave rise to a decrease under “Land and natural assets” of EUR 36,737 thousand in 2016.

No borrowing costs were capitalised in 2016 and 2015 and accumulated capitalised borrowing costs at 31 December 2016 amounted to EUR 30,153 thousand (2015: EUR 34,198 thousand).

At 31 December 2016, grants related to property, plant and equipment amounting to EUR 5,482 thousand were allocated to profit or loss (31 December 2015: 4,755 thousand).

The Group companies take out the insurance policies they consider necessary to cover the possible risks to which their property, plant and equipment are subject. At 2016 year-end, the Parent considered that the property, plant and equipment were fully insured.

The gross sum of the fully depreciated property, plant and equipment which, being in good working order, are used in production amounted to EUR 3,028,940 thousand at 31 December 2016 (31 December 2015: EUR 3,358,073 thousand).

At 31 December 2016, property plant and equipment located outside Spain, net of depreciation, in the accompanying consolidated balance sheet amounted to EUR 1,309,469 thousand (31 December 2015: EUR 1,920,887 thousand).

Restrictions on title to assets

Of the total property, plant and equipment in the consolidated balance sheet as at 31 December 2016, there are restrictions on title to assets amounting to EUR 549,975 thousand (31 December 2015: EUR 571,006 thousand), the detail being as follows:

	Cost	Accumulated depreciation	Impairment	Carrying amount
2016				
Buildings, plant and equipment	2,239,007	(1,749,286)	(57)	489,664
Other items of property, plant and equipment	182,491	(122,181)	—	60,310
	2,421,498	(1,871,467)	(57)	549,974
2015				
Buildings, plant and equipment	2,428,676	(1,924,490)	—	504,186
Other items of property, plant and equipment	187,638	(120,818)	—	66,820
	2,616,314	(2,045,308)	—	571,006

The restrictions on title to the aforementioned assets arise from the finance lease agreements explained in Note 10 to these consolidated financial statements and also relate to the assets assigned to the operation of certain concession arrangements.

Purchase commitments

In the course of their business activities, the Group companies had formalised property, plant and equipment purchase commitments amounting to EUR 774 thousand at 31 December 2016 (31 December 2015: EUR 520 thousand), the detail being as follows:

	2016	2015
Buildings for own use	—	—
Plant	57	129
Machinery and transport equipment	67	377
Other items of property, plant and equipment	650	14
	774	520

9. INVESTMENT PROPERTY

“Investment Property” in the accompanying consolidated balance sheet reflects the net values of the land, buildings and other structures held either to earn rentals or, as the case may be, for capital appreciation.

The detail of “Investment Property” at 31 December 2016 and 2015 is as follows:

	Cost	Accumulated depreciation	Carrying amount
2016			
Investment property	14,849	(546)	14,303
	14,849	(546)	14,303
2015			
Investment property	20,503	(369)	20,134
	20,503	(369)	20,134

The detail of the changes in 2016 and 2015 is as follows:

Balance at 31.12.14	21,090
Additions	—
Disposals	—
Depreciation and impairment charge	(188)
Changes in the scope of consolidation, translation differences and other changes	41
Transfers	(809)
Balance at 31.12.15	20,134
Additions	166
Disposals	—
Depreciation and impairment charge	(168)
Changes in the scope of consolidation, translation differences and other changes	(5,829)
Transfers	—
Balance at 31.12.16	14,303

Incoming and outgoing sums resulted in cash flow recorded on the enclosed cash-flow statement as “Payments for investments” and “Receipts for disinvestments” under “Tangible and intangible assets and property investments”, respectively.

At the end of 2016 and 2015 the Group did not have any firm commitments to purchase or construct investment property.

10. LEASES

a) Finance leases

The detail of the finance leases in force at the end of 2016 and 2015 and of the related cash flows is as follows:

	Movable property	Real estate	Total
2016			
Carrying amount	90,619	1,180	91,799
Accumulated depreciation	73,853	24	73,877
Cost of the assets	164,472	1,204	165,676
Finance costs	20,816	75	20,891
Capitalised cost of the assets	185,288	1,279	186,567
Lease payments paid in prior years	(79,838)	(212)	(80,050)
Lease payments paid in the year	(46,811)	(526)	(47,337)
Lease payments outstanding, including purchase option	58,639	541	59,180
Unaccrued finance charges	(9,729)	(22)	(9,751)
Present value of lease payments outstanding, including purchase option (Note 20 c and d)	48,910	519	49,429
Lease term (years)	1 to 10	9 to 20	
Value of purchase options	2,638		2,638

	Movable property	Real estate	Total
2015			
Carrying amount	75,936	10,930	86,866
Accumulated depreciation	43,234	3,710	46,944
Cost of the assets	119,170	14,640	133,810
Finance costs	8,865	3,188	12,053
Capitalised cost of the assets	128,035	17,828	145,863
Lease payments paid in prior years	(38,608)	(1,005)	(39,613)
Lease payments paid in the year	(34,986)	(6,114)	(41,100)
Lease payments outstanding, including purchase option	54,441	10,709	65,150
Unaccrued finance charges	(2,936)	(67)	(3,003)
Present value of lease payments outstanding, including purchase option (Note 21 c and d)	51,505	10,642	62,147
Lease term (years)	1 to 10	9 to 20	
Value of purchase options	3,323	5,487	8,110

The detail, by maturity, of the total amount of the lease payments and of their present value at 31 December 2016 is as follows:

	Within one year	Between one and five years	Total
2016			
Lease payments outstanding, including purchase option	26,316	32,864	59,180
Unaccrued finance charges	(4,336)	(5,415)	(9,751)
Present value of lease payments outstanding, including purchase option	21,980	27,449	49,429

The finance leases arranged by the Group companies do not include lease payments the amount of which must be determined on the basis of future economic events or indices and, accordingly, in 2016 no expense was incurred in connection with contingent rent.

b) Operating leases

The operating lease payments recognised as an expense by the Group in the year ended 31 December 2016 amounted to EUR 201,894 thousand (31 December 2015: EUR 197,733 thousand). These payments relate mainly to machinery leased in the construction business, to plant and to buildings leased for use by the Group in all the activities carried on by it.

The agreements arranged in prior years include most notably the lease for the office building located in Las Tablas (Madrid), in effect since 23 November 2012 for an 18-year term, extendable at the FCC Group's discretion by two five-year periods, with an annual rent adjustable each year based on the increase in the CPI. Also worthy of Note is the lease agreement entered into in 2011 between Fomento de Construcciones y Contratas, S.A. and the owners of the buildings housing the FCC Group's Central Services offices, located at Federico Salmón 13, in Madrid and at Balmes 36, in Barcelona, for a non-cancellable minimum term of 30 years, extendable at the Group's discretion by two five-year periods, each with an annual rent adjustable each year based on the increase in the CPI. The owners, in turn, granted a purchase option to Fomento de Construcciones y Contratas, S.A., which can be exercised only at the end of the lease term at the higher of fair value and the CPI-adjusted selling price.

On 18 July 2016 an addendum was added to the contract between the Company and Hewlett Packard Servicios España S.L., originally entered on 19 November 2010 and renegotiated on 30 May 2014, under which the IT Infrastructure Operation Services were outsourced in order to improve efficiency and enable the Group to be more flexible and competitive on an international scale, establishing the final expiration of the agreement in October 2020.

At 2016 year-end the non-cancellable future payment obligations relating to operating leases for buildings, structures and IT infrastructure operation services amounted to EUR 537,431 thousand (2015: EUR 531,858 thousand). The detail, by maturity, of the non-cancellable future minimum payments at 31 December 2016 is as follows:

	2016
Within one year	93,283
Between one and five years	203,220
After five years	240,928
	537,431

It should be noted that as a lessor, the FCC Construcción Group recognised income of EUR 3,387 thousand (31 December 2015: EUR 6,356 thousand) in relation to the lease of its machinery to third parties, mainly to FCC Construcción América in Central America.

11. SERVICE CONCESSION ARRANGEMENTS

This Note presents an overview of the Group's investments in concession businesses, which are recognised under various headings on the asset side of the accompanying consolidated balance sheet.

The following table includes the total amount of the assets held by the Group companies under service concession arrangements and recognised under "Intangible Assets", "Non-Current Financial Assets", "Current Financial Assets" and "Investments Accounted for Using the Equity Method" in the accompanying consolidated balance sheets as at 31 December 2016 and 2015.

	Intangible assets	Financial assets	Joint ventures - concession operators	Associates - concession operators	Total investment
2016					
Water services	1,448,509	—	46,484	81,125	1,576,118
Motorways and tunnels	398,275	—	6,165	12,852	417,292
Other	289,129	124,309	19,626	75,597	508,661
TOTAL	2,135,913	124,309	72,275	169,574	2,502,071
Accumulated amortisation	(727,298)	—	—	—	(727,298)
Impairment losses	(57,924)	—	—	—	(57,924)
	1,350,691	124,309	72,275	169,574	1,716,849
2015					
Water services	1,420,527	26,114	43,126	91,585	1,581,352
Motorways and tunnels	409,138	—	9,053	21,988	440,179
Other	279,385	196,647	19,663	66,171	561,866
TOTAL	2,109,050	222,761	71,842	179,744	2,583,397
Accumulated amortisation	(648,472)	—	—	—	(648,472)
Impairment losses	(56,959)	—	—	—	(56,959)
	1,403,619	222,761	71,842	179,744	1,877,966

Following is a detail of the main characteristics of the principal concession arrangements included in the three categories indicated above:

	Carrying amount at 31 December 2016		Concession grantor	Collection mechanism
	Intangible assets	Financial assets		
Water services	790,260	—		
Jerez de la Frontera (Cádiz, Spain)	86,827	—	Jerez de la Frontera Municipal Council	User - based on use
Adeje (Tenerife, Spain)	57,716	—	Adeje Municipal Council	User - based on use
Santander (Cantabria, Spain)	49,373	—	Santander Municipal Council	User - based on use
Lleida (Spain)	43,136	—	Lleida Municipal Council	User - based on use
Caltanissetta (Italy)	40,517	—	Consorzio Ambito Territoriale Ottimale	User - based on use
Vigo (Pontevedra, Spain)	27,927	—	Vigo Municipal Council	User - based on use
Badajoz (Spain)	29,492	—	Badajoz Municipal Council	User - based on use
Oviedo (Asturias, Spain)	24,433	—	Oviedo Municipal Council	User - based on use
Other arrangements	430,839	—		
Motorways and tunnels	323,390	—		
Coatzacoalcos underwater tunnel (Mexico)	234,961	—	Government of the State of Veracruz	User-paid direct toll
Autovía Conquense (Spain)	88,429	—	Ministry of Public Works	Shadow toll
Other	237,041	124,309		
Buckinghamshire plant (UK)	170,890	9,362	Buckinghamshire County Council	Fixed amount plus variable amount per tonne
Campello plant (Alicante, Spain)	36,418	—	Autonomous Community of Valencia Consortium for Plan for Zone XV [<i>Consorcio Plan Zonal XV de la Comunidad Valenciana</i>]	Based on tonnes treated
RE3 plant (UK)	—	32,210	Reading, Bracknell Forest and Workingham councils	Fixed amount plus variable amount per tonne
Wrexham I plant (UK)	—	25,529	Wrexham County Borough Council	Fixed amount plus variable amount per tonne
Wrexham II plant (UK)	—	21,641	Wrexham County Borough Council	Fixed amount plus variable amount per tonne
Manises plant (Valencia, Spain)	—	26,230	Entidad Metropolitana para el Tratamiento de Residuos	Fixed amount plus variable amount per tonne
Other arrangements	29,733	9,337		
Total FCC Group	1,350,691	124,309		

	Carrying amount at 31 December 2015		Concession grantor	Collection mechanism
	Intangible assets	Financial assets		
Water services	825,271	26,114		
Jerez de la Frontera (Cádiz, Spain)	90,912	—	Jerez de la Frontera Municipal Council	User - based on use
Adeje (Tenerife, Spain)	62,602	—	Adeje Municipal Council	User - based on use
Santander (Cantabria, Spain)	52,839	—	Santander Municipal Council	User - based on use
Lleida (Spain)	45,241	—	Lleida Municipal Council	User - based on use
Caltanissetta (Italy)	39,234	—	Consorzio Ambito Territoriale Ottimale	User - based on use
Vigo (Pontevedra, Spain)	30,640	—	Vigo Municipal Council	User - based on use
Badajoz (Spain)	30,555	—	Badajoz Municipal Council	User - based on use
Oviedo (Asturias, Spain)	25,254	—	Oviedo Municipal Council	User - based on use
Santa Eulalia water treatment plant (Ibiza, Spain)	—	26,114	Ministry of Agriculture and Environmental Affairs	Per desalinated cubic metre with guaranteed minimum amount
Other arrangements	447,994	—		
Motorways and tunnels	340,337	—		
Coatzacoalcos underwater tunnel (Mexico)	244,503	—	Government of the State of Veracruz	User-paid direct toll
Autovía Conquense (Spain)	95,834	—	Ministry of Public Works	Shadow toll
Other	238,011	196,647		
Buckinghamshire plant (UK)	168,624	69,292	Buckinghamshire County Council	Fixed amount plus variable amount per tonne
Campello plant (Alicante, Spain)	38,905	—	Autonomous Community of Valencia Consortium for Plan for Zone XV [Consortio Plan Zonal XV de la Comunidad Valenciana]	Based on tonnes treated
RE3 plant (UK)	—	38,529	Councils de Reading, Bracknell Forest y Workingham	Fixed amount plus variable amount per tonne
Wrexham I plant (UK)	—	30,905	Wrexham County Borough Council	Fixed amount plus variable amount per tonne
Wrexham II plant (UK)	—	27,909	Wrexham County Borough Council	Fixed amount plus variable amount per tonne
Manises plant (Valencia, Spain)	—	27,235	Entidad Metropolitana para el Tratamiento de Residuos	Fixed amount plus variable amount per tonne
Other arrangements	30,482	2,777		
Total FCC Group	1,403,619	222,761		

"Water Services" activities are characterised by the high number of arrangements, the most significant of which are detailed in the foregoing table. The core activity covered by the arrangements is end-to-end water management, including the capture, transportation and treatment of water and its distribution to urban centres -using the distribution networks and complex drinking water treatment facilities- and also the capture and purification of waste water. This activity comprises both the construction and maintenance of water-supply and sewer networks, desalination plants and drinking water treatment and purification plants. Revenue is generally received on the basis of the customers' use of the service, although in exceptional cases, principally that of desalination plants, the concession grantor guarantees that the operator will receive a specified level of revenue. Accordingly, in most cases the cash flows depend on water consumption which, in general, remains constant over time. However, in order to ensure the recovery of the concession operator's investment, the arrangements normally include regular price revision clauses in which future prices are established on the basis of consumption in previous periods and other variables such as inflation. For the purpose of carrying on their activities, the concession operators either construct or are granted the right to use the distribution and sewer networks, as well as the complex drinking water treatment and purification facilities. Water service concessions are arranged for various different terms, up to a maximum of 75 years, and the facilities are handed over to the grantor at the end of the concession term for no consideration.

Since in substantially all of the fully consolidated arrangements the amount collected depends on the extent to which the service is used and since the amount is therefore variable, the demand risk is borne by the concession operator and the arrangements are accounted for as intangible assets. In some cases, including certain desalination plants, the amount collected depends on the volume of water effectively desalinated, and the grantor guarantees a minimum amount regardless of volume; accordingly, since the revenue collected is a fixed amount and the grantor therefore bears the demand risk, the aforementioned guaranteed amounts are accounted for as financial assets.

The core activity of the concessions belonging to the motorways and tunnels business is the management, promotion, development and operation of land transport infrastructure, mainly toll motorways and tunnels. This activity comprises both the construction and the subsequent upkeep and maintenance of the aforementioned infrastructure for a substantial concession term that can vary widely from 25 to 75 years. Revenue is normally received on the basis of traffic intensity through both the direct collection of tolls from drivers and a shadow toll. Accordingly, the cash flows vary in relation to traffic intensity and generally tend to increase as the concession term progresses and, therefore, as the concession operator bears the demand risk, they are accounted for as intangible assets. In certain cases, the cash receipts are fixed, either because payments are made for availability, i.e. when the operator receives a specified amount previously agreed with the grantor in exchange for making the infrastructure available, on the agreed terms, or because the concession grantor guarantees to pay the operator the shortfall between the toll revenue collected from users and a specified amount. In these cases, as the grantor bears the demand risk, they are accounted for as financial assets. The arrangements usually encompass both the construction or upgrade of the infrastructure for which the operator receives a right of use and the provision of maintenance services, and the infrastructure is handed over to the grantor at the end of its useful life, generally for no consideration. In certain cases the arrangements provide for consideration mechanisms, such as an extension of the concession term or an increase in the toll, that guarantee a minimum return for the concession operator.

"Other" includes mainly construction, operation and maintenance arrangements for waste treatment facilities in both Spain and the UK. The contracts include price revision clauses based on a number of variables such as inflation, energy costs and payroll costs. In order to classify the concession arrangements as intangible assets or financial assets, they were analysed to determine which party to the arrangement bears the demand risk. Arrangements in which the billings are determined solely according to the fixed amount and a variable amount based on the volume of tonnes treated, given that the latter is residual and the cost of the construction services is substantially covered by the fixed amount, the entire concession was considered as a financial asset, except in the case of the Buckinghamshire plant, in which the intangible component is very significant and which, therefore, is accounted for using the bifurcated model. With regard to the Buckinghamshire plant, in 2016, under the conditions of the contract, the sum

of EUR 219,571 thousand was received from the conceding entity for construction services rendered. The operations phase remains pending, for which earnings for services rendered will also be received. As this case is a mixed model, receipts have been distributed among the component parts, with EUR 63,344 thousand corresponding to the financial part and EUR 156,227 thousand to the intangible part. Consequently, the receipt corresponding to the financial part has been recorded as a reduction in the value of the financial asset, whereas the receipt attributed to the intangible part has been recorded as a liability under "Other non-current liabilities" (Note 21). As a result, the receipt of the financial part has been recorded in the enclosed cash-flow statement as a disinvestment under "Other financial assets", whereas the receipt corresponding to the intangible part has been recorded under "Changes in current capital".

It should also be noted that under the concession arrangements the concession operators in which the Group holds ownership interests are obliged to purchase or construct, during the term of the concession, property, plant and equipment items assigned to concessions amounting to EUR 248,517 thousand at 31 December 2016 (31 December 2015: EUR 279,077 thousand).

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

"Investments Accounted for Using the Equity Method" includes the value of the investments in companies accounted for using the equity method and the long-term loans granted to such companies which, as indicated in Note 2.b, include joint ventures and associates, the detail being as follows:

	2016	2015
Joint ventures	140,948	167,478
Value of the investment	(3,574)	23,359
Loans	144,522	144,119
Associates	528,054	419,489
Value of the investment	380,851	253,329
Loans	147,203	166,160
	669,002	586,967

The negative sum noted in 2016 in the value of joint-business investment refers to entities where the sum of the investment, calculated as the equity percentage corresponding to the Group, is negative (mostly owing to losses incurred by the entity) to which the parent has granted credits for the same or a higher amount. Such that the value of the total investment over the entity is positive.

The above chart includes the increase in the value of investment in associates. This increase is due to the addition of Giant Cement Holding Inc. (EUR 54,323 thousand) following the capital increase in which the Group was not involved and the capital increase at Realía Business S.A. (EUR 54,422 thousand), in which the Group was involved (Note 5).

Following is a detail of the changes in the long-term loans included in the value of the investments in companies accounted for using the equity method:

	Balance at 31.12.2015	Additions	Disposals	Translation differences and other changes	Balance at 31.12.2016
Joint ventures	144,119	5,058	(788)	(3,867)	144,522
OHL CO. Canada & FCC Canada Ltd. Partnership	63,931	2,425	—	4,174	70,530
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	38,432	—	—	(5,045)	33,387
Proyecto Front Maritim, S.L.	6,695	—	—	1,170	7,865
North Tunnels Canada Inc.	8,461	—	—	552	9,013
Aguas de Langreo, S.L.	5,182	—	—	(365)	4,817
Aguas de Narixa, S.A.	4,901	—	—	(155)	4,746
Empresa Municipal Aguas de Benalmádena, S.A.	7,748	—	—	(1,490)	6,259
Other	8,769	2,633	(788)	(2,709)	7,905
Associates	166,160	4,851	(2,730)	(21,078)	147,203
Concessió Estacions Aeroport L9, S.A.	57,006	—	—	—	57,006
Construcción de Infraestructuras de Aguas de Potosí, S.A. de C.V.	11,135	555	(142)	(6,153)	5,395
N6 (Construction) Limited	41,797	—	(2,350)	—	39,447
Teide Gestión Sur, S.L.	10,563	—	—	(10,563)	—
Cleon, S.A.	7,885	15	—	—	7,900
Aquos El Realito, S.A. de C.V.	7,837	—	—	(1,029)	6,808
Aguas del Puerto Empresa Municipal, S.A.	6,811	4,000	—	(911)	9,900
Other	23,126	281	(238)	(2,422)	20,747
	310,279	9,909	(3,518)	(24,944)	291,726

	Balance at 31.12.2014	Additions	Disposals	Translation differences and other changes	Balance at 31.12.2015
Joint ventures	21,865	8,385	(2,652)	116,521	144,119
OHL CO. Canada & FCC Canada Ltd. Partnership	—	4,615	—	59,316	63,931
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	—	1,086	(2,384)	39,730	38,432
Proyecto Front Maritim, S.L.	—	1,163	—	5,532	6,695
North Tunnels Canada Inc.	—	—	—	8,461	8,461
Aguas de Langreo, S.L.	5,548	—	—	(366)	5,182
Aguas de Narixa, S.A.	5,046	—	—	(145)	4,901
Empresa Municipal Aguas de Benalmádena, S.A.	7,748	—	—	—	7,748
Other	3,523	1,521	(268)	3,993	8,769
Associates	93,415	4,853	(1,781)	69,673	166,160
Concessió Estacions Aeroport L9, S.A.	54,838	—	—	2,168	57,006
Construcción de Infraestructuras de Aguas de Potosí, S.A. de C.V.	—	387	—	10,748	11,135
N6 (Construction) Limited	—	—	—	41,797	41,797
Teide Gestión Sur, S.L.	—	—	—	10,563	10,563
Cleon, S.A.	935	19	—	6,931	7,885
Aquos El Realito, S.A. de C.V.	11,319	—	—	(3,482)	7,837
Aguas del Puerto Empresa Municipal, S.A.	5,113	4,000	—	(2,302)	6,811
Other	21,210	447	(1,781)	3,250	23,126
	115,280	13,238	(4,433)	186,194	310,279

a) Joint ventures

The breakdown of the joint ventures by company is presented in Appendix II to these consolidated financial statements.

The changes in 2016 and 2015 were as follows:

	Balance at 31.12.2015	Profit (Loss) for the year	Dividends paid	Changes in fair value of financial instruments recognised in reserves	Purchases	Sales	Translation differences and other changes	Changes in loans granted	Balance at 31.12.2016
Orasqualia for the Development of the Waste Treatment Plant S.A.E.	19,852	1,531	(855)	—	—	—	(11,513)	(39)	8,976
Sociedad Concesionaria Tranvía de Murcia, S.A.	19,197	69	—	—	—	—	(1)	361	19,626
Mercia Waste Management Ltd.	14,804	2,226	—	—	—	—	(2,175)	—	14,855
Zabalgardi, S.A.	13,931	1,014	—	497	—	—	—	—	15,442
Atlas Gestión Medioambiental, S.A.	12,905	550	(897)	—	—	—	(1)	—	12,557
Empresa Municipal de Aguas de Benalmádena, S.A.	9,684	272	(568)	(57)	—	—	—	(1,490)	7,841
Ibisan Sociedad Concesionaria, S.A.	9,053	611	(3,659)	161	—	—	(1)	—	6,165
Constructora Nuevo Necaxa Tihuatlán S.A. de C.V.	6,928	(9,720)	—	—	—	—	7,838	(5,045)	1
OHL CO Canada & FCC Canada Ltd. Partnership	1,663	(14,629)	—	—	—	—	6,366	6,600	—
Other	59,461	20,733	(18,323)	(148)	—	(963)	(5,291)	16	55,485
Total joint ventures	167,478	2,657	(24,302)	453	—	(963)	(4,778)	403	140,948

	Balance at 31.12.2014	Profit (Loss) for the year	Dividends paid	Changes in fair value of financial instruments recognised in reserves	Purchases	Sales	Translation differences and other changes	Changes in loans granted	Balance at 31.12.2015
Orasqualia for the Development of the Waste Treatment Plant S.A.E.	20,221	1,984	(2,714)	—	—	—	360	1	19,852
Sociedad Concesionaria Tranvía de Murcia, S.A.	19,035	(222)	—	—	—	—	—	384	19,197
Mercia Waste Management Ltd.	10,921	3,324	—	(55)	—	—	614	—	14,804
Zabalgardi, S.A.	13,466	584	—	(118)	—	—	(1)	—	13,931
Atlas Gestión Medioambiental, S.A.	13,143	358	(596)	—	—	—	—	—	12,905
Empresa Municipal de Aguas de Benalmádena, S.A.	9,545	625	(497)	10	—	—	1	—	9,684
Ibisan Sociedad Concesionaria, S.A.	7,502	880	—	671	—	—	—	—	9,053
Constructora Nuevo Necaxa Tihuatlán S.A. de C.V.	(43,164)	9,929	—	—	—	—	1,731	38,432	6,928
OHL CO Canada & FCC Canada Ltd. Partnership	(58,495)	(8,357)	—	—	—	—	4,584	63,931	1,663
Other	22,225	1,342	(1,762)	(149)	—	302	17,997	19,506	59,461
Total joint ventures	14,399	10,447	(5,569)	359	—	302	25,286	122,254	167,478

Following are the main aggregates in the financial statements of the joint ventures, in proportion to the percentage of ownership held therein, at 31 December 2016 and 2015:

	2016	2015
Non-current assets	391,323	405,654
Current assets	290,046	601,340
Non-current liabilities	369,316	415,645
Current liabilities	342,251	593,699
Profit or loss		
Revenue	608,367	494,097
Profit (Loss) from operations	15,409	38,196
Profit (Loss) before tax	10,028	19,489
Profit (Loss) attributable to the Parent	2,657	10,447

The core activities carried on by the joint ventures consist of the operation of concessions relating to, inter alia, motorways, end-to-end water management, urban waste handling activities, tunnels and passenger transport.

Guarantees amounting to EUR 9,224 thousand (2015: EUR 9,088 thousand) have been provided, mostly to Government Agencies and private customers, for joint ventures owned jointly with non-FCC Group third parties, as security for the performance bonds in the Group's various business areas. There are no significant obligations or other contingent liabilities relating to joint ventures.

The joint ventures which the Group accounts for using the equity method are generally public and private limited liability companies and, accordingly, as they are joint ventures, distributions of funds to their respective parents requires the consent of the other venturers that exercise joint control in accordance with the mechanisms established by their company resolutions.

b) Associates

The detail of the associates accounted for using the equity method is presented in Appendix III to these consolidated financial statements.

The changes in 2016 and 2015 were as follows:

	Balance at 31.12.2015	Profit (Loss) for the year	Dividends paid	Changes in fair value of financial instruments recognised in reserves	Purchases	Sales	Translation differences and other changes	Changes in loans granted	Balance at 31.12.2016
Realia Business Group	120,189	31,568	—	—	54,422	—	(147)	—	206,032
Concessió Estacions Aeroport L9, S.A.	40,097	11,960	(4,991)	31	—	—	—	—	47,097
Cleon, S.A.	32,833	(11)	—	—	—	—	(1)	(25)	32,796
Shariket Tahlya Miyah Mostaganem SPA	28,090	4,007	—	—	—	—	367	—	32,464
Cedinsa Group	20,664	5,535	(5,392)	(7,954)	—	(2)	2	—	12,853
Metro de Lima Línea 2, S.A.	17,413	2,235	—	—	—	—	3,476	—	23,124
Metro de Málaga, S.A.	13,673	—	—	—	—	(13,673)	—	—	—
Aquos El Realito, S.A. de C.V.	12,746	353	—	1,284	—	—	(663)	(1,029)	12,691
Suministro de Agua de Querétaro, S.A. de C.V.	11,019	1,355	(1,618)	—	—	—	(1,543)	—	9,213
Aguas del Puerto Empresa Municipal, S.A.	10,619	(434)	—	487	—	—	(1)	3,089	13,760
Shariket Miyeh Ras Djinet SPA	10,371	1,664	—	—	—	—	143	—	12,178
Lázaro Echevarría, S.A.	9,322	(469)	—	(47)	—	—	—	—	8,806
Tirme Group	8,358	1,942	(5,845)	—	—	—	1	—	4,456
A.S.A. Group	5,780	1,112	(1,016)	(20)	—	—	3	—	5,859
Hormigones y Áridos del Pirineo Aragonés, S.A.	5,725	400	(150)	—	—	—	—	—	5,975
Aigües del Segarra Garrigues, S.A.	6,001	388	—	—	—	—	(1)	—	6,388
N6 (Construction) Limited	3,381	4	—	—	—	—	—	(2,350)	1,035
Giant Cement Holding	—	(4,570)	—	—	—	—	53,436	—	48,866
Other	63,208	(4,194)	(920)	(953)	2	(7,295)	13,255	(18,642)	44,461
Total associates	419,489	52,845	(19,932)	(7,172)	54,424	(20,970)	68,327	(18,957)	528,054

	Balance at 31.12.2014	Profit (Loss) for the year	Dividends paid	Changes in fair value of financial instruments recognised in reserves	Purchases	Sales	Translation differences and other changes	Changes in loans granted	Balance at 31.12.2015
Realia Business Group	54,437	23,600	—	—	32,880	—	9,272	—	120,189
Concessió Estacions Aeroport L9, S.A.	18,749	11,169	(4,070)	12,080	—	—	1	2,168	40,097
Cleon, S.A.	25,656	227	—	—	—	—	—	6,950	32,833
Shariket Tahlya Miyah Mostaganem SPA	28,482	2,299	—	—	—	—	(2,691)	—	28,090
Cedinsa Group	40,429	4,246	(6,519)	(17,491)	—	—	(1)	—	20,664
Metro de Lima Línea 2, S.A.	8,347	—	—	—	10,352	—	(1,286)	—	17,413
Metro de Málaga, S.A.	13,672	—	—	—	—	—	1	—	13,673
Aquos El Realito, S.A. de C.V.	16,064	9	—	421	—	—	(266)	(3,482)	12,746
Suministro de Agua de Querétaro, S.A. de C.V.	10,922	1,657	(836)	—	—	—	(724)	—	11,019
Aguas del Puerto Empresa Municipal, S.A.	9,043	(487)	—	365	—	—	—	1,698	10,619
Shariket Miyeh Ras Djinet SPA	11,063	325	—	—	—	—	(1,017)	—	10,371
Lázaro Echevarría, S.A.	9,773	(84)	—	34	—	(400)	(1)	—	9,322
Tirme Group	13,015	2,353	(7,009)	—	—	—	(1)	—	8,358
A.S.A. Group	5,976	848	(941)	(74)	—	—	(29)	—	5,780
Hormigones y Áridos del Pirineo Aragonés, S.A.	5,760	115	(150)	—	—	—	—	—	5,725
Aigües del Segarra Garrigues, S.A.	5,991	1,000	(1,283)	—	—	—	1	—	5,709
N6 (Construction) Limited	(38,517)	100	—	—	—	—	1	41,797	3,381
Giant Cement Holding	(13,457)	(21,612)	(4,681)	(906)	4,442	(7,662)	83,762	23,614	63,500
Other	54,437	23,600	—	—	32,880	—	9,272	—	120,189
Total associates	225,405	25,765	(25,489)	(5,571)	47,674	(8,062)	87,022	72,745	419,489

The above chart includes in 2016, in the Purchases column, the impact of the capital increase at Realía Business S.A., in the column Sales the disposal of Metro de Málaga S.A., and in the Conversion Differences and Other Movements column the effect of the inclusion of Giant Cement Holding Inc., mentioned above. In 2015, recorded in the Purchases column was the capital increase at Realía Business S.A. (Note 5).

2016 includes the result recorded for the Realía Business holding, mostly due to the haircuts granted in the process to refinance its financial debt and the provision of impairment of property inventories. 2015 includes the positive result for the reversion of the loss from impairment on the Realía Business group to the value of EUR 25,711 thousand (Note 27).

It should be noted that the FCC Group subscribed 56,689,080 shares in the capital increase performed by Realía Business, S.A. for a total of EUR 32,880 thousand in the pre-emptive subscription process that ended on 30 December 2015. Since, in accordance with the terms and conditions of the aforementioned capital increase, the subscribed amount was claimable from the moment of subscription, a EUR 32,880 thousand increase in the value of the investment was recognised, and the same amount was recognised under "Other Current Financial Liabilities", as the payment remained outstanding at 31 December 2015.

The detail of the assets, liabilities, revenue and results for 2016 and 2015 of the associates, in proportion to the percentage of ownership held in each associate, is as follows:

	2016	2015
Non-current assets	1,418,065	1,416,375
Current assets	311,275	328,945
Non-current liabilities	1,454,099	1,462,551
Current liabilities	194,172	224,602
Revenue	228,746	276,666
Profit (Loss) from operations	84,896	49,702
Profit (Loss) before tax	62,479	33,165
Profit (Loss) attributable to the Parent	52,845	25,765

It should be noted that the value of the ownership interest in the Realía Business Group, based on its market value at 31 December 2016, amounted to EUR 204,761 thousand, (31 December 2015: EUR 86,167 thousand), very similar to the book value and that no dividends were distributed in 2016 or 2015. Following, due to its importance, is the summarised financial information of the Realía Group at 31 December 2016 and 2015, after uniformity adjustments to bring it into line with the accounting policies applied by the Group (the investments in the Realía Group is accounted for using the equity method):

	Balance	
	2016	2015
Non-current assets	1,009,465	1,063,120
Current assets	519,755	706,626
Cash and cash equivalents	101,130	183,870
Other current assets	418,625	522,756
TOTAL ASSETS	1,529,220	1,769,746
Equity	610,627	386,172
Equity attributable to the Parent	482,179	250,556
Share capital	154,754	110,580
Reserves	243,662	147,197
Treasury shares	(675)	(675)
Profit (Loss) attributable to the Parent	85,407	(5,724)
Valuation adjustments	(969)	(822)
Non-controlling interests	128,448	135,616
Non-current liabilities	199,415	801,152
Non-current financial liabilities	157,585	761,663
Other non-current liabilities	41,830	39,489
Current liabilities	719,178	582,422
Non-current financial liabilities	695,825	558,565
Other non-current liabilities	23,353	23,857
TOTAL EQUITY AND LIABILITIES	1,529,220	1,769,746

	Statement of profit or loss	
	2016	2015
Revenue	79,834	75,983
Other income	16,900	18,831
Operating expenses	(93,616)	(59,033)
Depreciation and amortisation charge	(14,313)	(14,459)
Other income and expenses	(13)	(18)
Profit (Loss) from operations	(11,208)	21,304
Finance income	114,105	5,306
Finance costs	(8,185)	(24,778)
Other net finance income and costs	84	37
Financial profit (loss)	106,004	(19,435)
Result of companies accounted for using the equity method	(3,248)	975
Net impairment on non-current assets	—	553
Profit (Loss) before tax from continuing operations	91,548	3,397
Income tax	(2,670)	(4,433)
Profit (Loss) for the year from continuing operations	88,878	(1,036)
Profit (Loss) from discontinued operations	—	—
PROFIT (LOSS) FOR THE YEAR	88,879	(1,036)
Profit (Loss) attributable to the Parent	85,407	(5,724)
Profit (Loss) attributable to non-controlling interests	3,472	4,688

It should be noted that uniformity adjustments were made to the foregoing financial statements of the Realia Group in order to account for it using the equity method in these consolidated financial statements, since the Realia Group applies the option allowed under IAS 40 "Investment Property" of measuring its investment property at fair value, an accounting policy not applied by the FCC Group.

13. JOINT ARRANGEMENTS. JOINT OPERATIONS

As indicated in Note 2.b, in the section entitled “Joint ventures”, the Group companies undertake certain of their business activities by participating in contracts that are operated jointly with other non-Group venturers, mainly through unincorporated temporary joint ventures and other similar entities; these contracts were proportionately consolidated in the accompanying consolidated financial statements.

Following are the main aggregates of the joint arrangements included in the various line items in the accompanying consolidated balance sheet and consolidated statement of profit or loss, in proportion to the ownership interest held therein, at 31 December 2016 and 2015.

	2016	2015
Non-current assets	190,973	209,626
Current assets	1,532,810	2,031,825
Non-current liabilities	61,379	70,095
Current liabilities	1,532,258	2,023,771
Profit or loss		
Revenue	1,719,585	1,584,671
Gross profit (loss) from operations	168,238	184,252
Net profit (Loss) from operations	132,507	148,658

At 2016 year-end the property, plant and equipment purchase commitments entered into directly by the joint arrangements amounted to EUR 66 thousand (2015: EUR 4,106 thousand), calculated on the basis of the percentage of ownership of the Group companies.

The arrangements managed through unincorporated temporary joint ventures, silent partnerships and other similar entities require the venturers to share joint and several liability for the business activity carried on.

Guarantees amounting to EUR 1,603,290 thousand (2015: EUR 1,690,424 thousand) were provided, mostly to Government Agencies and private customers, for joint arrangements managed jointly with non-Group third parties as performance bonds for construction projects and urban cleaning contracts.

14. NON-CURRENT FINANCIAL ASSETS AND OTHER CURRENT FINANCIAL ASSETS

The breakdown of the most significant items under “Non-Current Financial Assets” and “Other Current Financial Assets” in the accompanying consolidated balance sheet is as follows:

a) Non-current financial assets

The detail of the non-current financial assets at 31 December 2016 and 2015 is as follows:

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	Total
2016						
Equity instruments	—	31,636	—	—	—	31,636
Debt securities	—	—	—	601	—	601
Derivatives	30	—	—	—	1,185	1,215
Other financial assets	3,731	—	281,426	3,643	—	288,800
	3,761	31,636	281,426	4,244	1,185	322,252
2015						
Equity instruments	—	44,101	—	—	—	44,101
Debt securities	—	—	—	853	—	853
Derivatives	1,816	—	—	—	281	2,097
Other financial assets	4,431	—	340,500	780	—	345,711
	6,247	44,101	340,500	1,633	281	392,762

2016 included the sale operation at Xfera Móviles S.A. and the transfer of participatory loans granted by Fomento de Construcciones y Contratas S.A., beginning on 20 June, to the company Más Móvil Phone & Internet S.A.U. On 5 October the sale of shares and transfer of participatory loans was completed, as a result of which the Group received a guarantee of EUR 24,285 thousand. Subsequently, on 7 February 2017 the operation was finally closed with the receipt by the Group of EUR 29,139 thousand recorded under current financial assets as at 31 December 2016 (Note 33). This operation resulted in a recorded loss of EUR 6,193 thousand.

The impact of this operation in 2016 affects the column “Assets on sale” on the above chart, where the sum of orders at Xfera Móviles (EUR 11,215 thousand) has been removed, and also the column “Loans and receivables”, as a result of deregistration from the balance sheet of participatory loans totalling EUR 24,114 thousand. Also derecognised were the guarantees granted to Xfera Móviles S.A. to the value of EUR 12,384 thousand.

a.1) Available-for-sale financial assets

Breakdown of the balance at 31 December 2016 and 2015:

	Effective percentage of ownership	Fair value
2016		
Ownership interests of 5% or more:		
World Trade Center Barcelona, S.A.	16.52%	6,036
Vertederos de Residuos, S.A.	16.03%	10,817
Consortio Traza, S.A.	16.60%	8,624
Other	—	3,266
Ownership interests of less than 5%:		
Other	—	2,893
		31,636

	Effective percentage of ownership	Fair value
2015		
Ownership interests of 5% or more:		
World Trade Center Barcelona, S.A.	16.52%	6,036
Vertederos de Residuos, S.A.	16.03%	10,817
Consorcio Traza, S.A.	16.60%	8,624
Other	—	4,627
Ownership interests of less than 5%:		
Xfera Móviles, S.A.	3.44%	11,215
Other	—	2,782
		44,101

a.2) Loans and receivables

The scheduled maturities of the loans and accounts receivable by the Group companies from third parties are as follows:

	2018	2019	2020	2021	2022	Total
Deposits and guarantees	9,646	831	121	826	47,461	58,885
Non-trade loans	22,469	14,463	7,404	6,977	61,050	112,363
Non-current collection rights - concession arrangement (Notes 3.a and 11)	10,504	11,134	11,603	12,070	64,867	110,178
	42,619	26,428	19,128	19,873	173,378	281,426

The non-trade loans include mainly the amounts granted to Government Agencies for the refinancing of debt in the water service and urban cleaning businesses, which earn interest at market rates. In 2016 there were no events that raised doubts concerning the recovery of these collection rights.

The deposits and guarantees relate basically to those required legally or contractually in the course of the Group companies' activities, such as deposits for electricity connections, construction completion bonds, property lease security deposits, etc.

b) Other current financial assets

The detail of "Other Current Financial Assets" at 31 December 2016 and 2015 is as follows:

	Financial assets at fair value through profit or loss	Loans and receivables	Held-to-maturity investments	Total
2016				
Debt securities	—	—	43	43
Deposits and guarantees given	—	43,044	—	43,044
Other financial assets	106,040	113,293	1,306	220,639
	106,040	156,337	1,349	263,726
2015				
Equity instruments	48	—	—	48
Debt securities	—	—	50	50
Deposits and guarantees given	—	46,650	—	46,650
Other financial assets	—	177,738	6,190	183,928
	48	224,388	6,240	230,676

"Other Current Financial Assets" in the accompanying consolidated balance sheet includes current financial assets which, maturing at more than three months in order to cater for certain specific cash situations, are classified as held-for-trading financial assets, held-to-maturity investments or loans and receivables, based on the initial nature of the investments. "Loans and Receivables" consists mainly of loans granted to, and other receivables from, joint ventures and associates amounting to EUR 17,205 thousand (2015: EUR 17,717 thousand), loans to third parties amounting to EUR 63,244 thousand (2015: EUR 43,334 thousand), deposits at banks amounting to EUR 6,143 thousand (2015: EUR 11,755 thousand) and accounts receivable for concession services (financial asset model) amounting to EUR 19,250 thousand (2015: EUR 98,224 thousand).

The aforementioned sum of EUR 29,139 thousand, received from the sale of Xfera Móviles, is recorded under "Loans and receivables".

The column "Financial assets at fair value with changes in profit and loss" includes the pending receivable from the sale of Globalvia Infraestructuras S.A. during the year (Notes 4 and 5).

The average rate of return obtained in this connection is the market return according to the term of each investment.

15. INVENTORIES

The detail of "Inventories" at 31 December 2016 and 2015 is as follows:

	2016	2015
Property assets	302,655	307,592
Raw materials and other supplies	171,047	223,546
Construction	76,581	89,566
Cement	58,956	98,475
End-to-End Water Management	14,493	11,521
Environmental Services	19,935	19,278
Corporate	1,082	4,706
Finished goods	12,678	20,006
Advances	95,247	97,495
	581,627	648,639

"Property Assets" includes building lots earmarked for sale that were acquired by the FCC Construcción Group mainly in exchange for completed or outstanding construction work. This heading also includes "Property Assets" in progress for which there are sale commitments representing a final value on delivery to customers of EUR 4,500 thousand (2015: EUR 2,2014 thousand). The advances paid by certain customers for the aforementioned "property assets" are secured by insurance contracts or bank guarantees, pursuant to the requirements of Law 57/1968, of 27 July, as amended by Law 38/1999, of 5 November. The detail of the main unsold real estate products is as follows:

	2016	2015
Properties in Tres Cantos (Madrid)	117,181	120,605
Properties in Sant Joan Despí (Barcelona)	42,757	41,840
Properties in Badalona (Barcelona)	14,729	12,939
Residential development - Pino Montano (Sevilla)	12,061	12,601
Las Mercedes property (Madrid)	10,627	10,627
Residential development - Vitoria (Álava)	4,246	5,345
Other properties and developments	101,054	103,635
	302,655	307,592

The real estate inventories were measured mainly based on end market references, calculating the terminal value of the land with respect to its current market value where the inventories are located. Where purchase offers have been received, the price of such offers was used for their measurement and, ultimately, when it was impossible to use that methodology, the exit price in the auctions held by the Bank Restructuring Asset Management Company (SAREB) was used as a reference.

A real estate inventory write-down of EUR 2,028 thousand was recognised in 2016 (2015: EUR 4,958 thousand), and the total accumulated write-down amounted to EUR 187,587 thousand (31 December 2015: EUR 186,890 thousand).

At 2016 year-end there were no significant property asset purchase commitments.

“Raw Materials and Other Supplies” includes the installations required to execute construction work that have not yet been included in the construction projects, storable construction materials and items, materials for the assembly of street furniture, replacement parts, fuel and other materials required to carry on the business activities.

At 31 December 2016, there were no material differences between the fair value and the carrying amount of the assets recognised.

16. TRADE, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

a) Trade receivables for sales and services

"Trade Receivables for Sales and Services" in the accompanying consolidated balance sheet includes the present value of revenue receivable, measured as indicated in Note 3-s, contributed by the various activities of the Group and which are the basis of the result from operations.

The detail of the balance of accounts receivable from non-Group debtors at 31 December 2016 and 2015 is as follows:

	2016	2015
Progress billings receivable and trade receivables for sales	728,419	1,123,917
Amounts to be billed for work performed	582,174	545,754
Retentions	32,072	39,631
Production billed to associates and jointly controlled entities	74,434	62,464
Trade receivables for sales and services	1,417,099	1,771,766
Advances received on orders (Note 22)	(709,704)	(729,067)
Total net balance of trade receivables for sales and services	707,395	1,042,699

The foregoing total is the net balance of trade receivables, after considering the adjustments for the risk of doubtful debts amounting to EUR 333,320 thousand (31 December 2015: EUR 388,436 thousand) and after deducting the balance of “Trade and Other Payables - Advances Received on Orders” on the liability side of the accompanying consolidated balance sheet. This item also includes the amounts of progress billings in various connections, irrespective of whether or not they have been collected.

The detail of the past due trade receivables is as follows:

	2016	2015
Construction	62,854	112,480
Environmental Services	318,696	324,551
Aqualia	58,476	53,884
Corporate	3,683	10,835
TOTAL	443,709	501,750

It should be noted that the foregoing amounts constitute all of the Group's past due financial assets, as there are no significant past due financial receivables. All matured balances that have not been settled by the counterparty are considered to be past due; however, it should be taken into account that in view of the different characteristics of the various industries in which the FCC Group operates, although certain assets are past due, there is no default risk, mainly in the Environmental Services industry, as most of its customers are public-sector customers from which the corresponding late-payment interest arising from collection delays may be claimed.

The following should be noted, by activity, in relation to the balances included in the foregoing table:

- Construction: Given the nature of the business and the fact that in certain construction contracts a long period of negotiation may take place between the date of initial billing to that of final acceptance by the customer, the foregoing balances include trade receivables that should have been collected mainly in the period from the third quarter of 2009 to the first half of 2016.
- Environmental Services: In general, except in the case of certain receivables from Spanish Municipal Councils, there are no significant balances more than one year old which have not been written down. The cases lasting longer than one year with no impairment recorded are specific situations that the Company's management believes may reasonably be expected to be received.
- Aqualia: In the Water activity, there are no significant trade receivable balances that are more than two years old; 50% of the balances shown in the table above are less than six months old.

“Progress Billings Receivable and Trade Receivables for Sales” reflects the amount of the progress billings to customers for completed work amounting to EUR 269,362 thousand and services amounting to EUR 300,082 thousand, not yet collected as at the consolidated balance sheet date. In general, there are no lawsuits relating to the work that remains to be performed.

The difference between the amount of the production recognised from inception of each project and contract in progress, measured as explained in Note 3-s, and the amount of the progress billings up to the date of the consolidated financial statements is included under “Amounts to Be Billed for Work Performed”.

The heading "Production pending certification" includes completed works pending certification corresponding to construction contracts performed by the Group, totalling EUR 328,596 thousand. This balance includes the following types:

- Differences between production completed, valued at the sale price, and certification to date under the relevant contract, totalling EUR 218,798 thousand. In other words, production recognised according to the degree of completion arising out of differences between the time when works production is completed, under the contract entered into with the client, and the time when the client certifies it.
- Changes totalling EUR 52,469 thousand. Includes production being negotiated with clients because it corresponds to adjustments to scope, changes or new works in addition to those covered by the original contract.
- Claims totalling EUR 57,329 thousand. Includes production recognised for claims that have arisen, whether litigation has been settled or is still in dispute, either because no agreement has been reached with the client or because the contract provides that arbitration is the method to be used for amendments to the original contract. Production recognised as income only when, based on internal and external reports, the claim is expected to result in the receipt of the sums recognised, without recording any additional income once litigation begins.

At 2016 year-end trade receivables amounting to EUR 390,388 thousand had been factored to financial institutions without recourse against the Group companies in the event of default (31 December 2015: EUR 108,244 thousand). This significant increase in the balance is due to the higher discount of clients' invoices, particularly in the environmental-services business, in the final quarter of 2016, guaranteed by the majority shareholder (Note 31). The impact of this assignment on cash and bank is recorded under "Changes in current capital" on the cash-flow statement. This amount was deducted from the balance of "Progress Billings Receivable and Trade Receivables for Sales". Also, the Group sold EUR 12,730 thousand of future collection rights arising from construction contracts awarded under the "lump-sum payment" system (31 December 2015: EUR 19,611 thousand). This amount was deducted from the balance of "Amounts to Be Billed for Work Performed".

b) Other accounts receivable

The detail of "Other Receivables" at 31 December 2016 and 2015 is as follows:

	2016	2015
Public Administrations - VAT refundable (Note 24)	93,165	94,564
Public Administrations - Other tax receivables (Note 24)	49,313	49,496
Other receivables	121,962	176,494
Advances and loans to employees	3,170	5,097
Current tax assets (Note 24)	6,099	31,564
Total other receivables	273,709	357,215

c) Other current assets

"Other Current Assets" includes mostly sums paid by the Group under certain services contracts that have not been recorded as expenses in the enclosed statement of profit and loss as they had not fallen due by the closing date of these annual financial statements.

17. CASH AND CASH EQUIVALENTS

The signing of the syndicated agreement gave rise to the repayment of all the bilateral financing lines of the consolidated companies, with the undrawn balances included in cash. In other words, working capital needs started to be managed using cash and not credit facilities. The cash of the directly- or indirectly-controlled subsidiaries is managed on a centralised basis. The cash positions of these investees flow to the Parent for their optimisation.

“Cash and Cash Equivalents” includes the Group's cash and short-term bank deposits with an initial maturity of three months or less. In both 2016 and 2015 these balances earned interest at market rates.

The detail, by currency, of cash and cash equivalents in 2016 and 2015 is as follows:

	2016	2015
Euro	497,004	690,158
US dollar	379,613	314,226
Pound sterling	114,907	177,887
Czech koruna	24,743	25,454
Other European currencies	14,195	23,175
Latin America (various currencies)	43,587	45,267
Other	72,036	69,348
Total	1,146,085	1,345,515

18. EQUITY

The accompanying consolidated statements of changes in equity for the years ended 31 December 2016 and 2015 show the changes in equity attributable to the shareholders of the Parent and to the non-controlling interests in those years.

I. Equity attributable to the Parent

On 4 March 2016 the public deed of increase of capital of Fomento de Construcciones y Contratas S.A. (the Company) was registered at the Barcelona Commercial Registry, as agreed by the board of directors on 17 December 2015, in the framework of the authorisation granted by the shareholders at the Annual General Meeting held on 25 June 2015 (up to 50% increase). This capital increase was effected with monetary contributions for a total cash amount of EUR 709,518,762 by issuing 118,253,127 new ordinary shares for a unit price of 6 euros (par value of 1 euro), which were admitted to listing on the Spanish Stock Market Interconnection System on 7 March. The increase was effected with a share premium of 5 euros per share issued, resulting in an increase in the share premium of EUR 589,595 thousand after deducting the costs of the increase after tax (EUR 1,671 thousand).

The funds obtained from the capital increase have been used in part for the discounted buy-back (Dutch auction) of debt corresponding to Tranche B of the financial debt of Fomento de Construcciones y Contratas S.A., as regulated under the refinancing contract, totalling EUR 386,443 thousand after deducting a haircut of EUR 58,082 thousand. Also, EUR 289,495 thousand was allocated to financially supporting the subsidiary Cementos Portland Valderrivas S.A., with the remainder being used for corporate purposes, including the exercise of the preference subscription right for capital increases at Realía Business S.A. (EUR 87,322 thousand).

The details of the impact on equity of the capital increase of Fomento de Construcciones y Contratas S.A. are shown in the following chart:

Capital increase	118,253
Share capital	118,253
Increase in share premium	591,266
Expenses incurred in the capital increase, net of tax	(1,671)
Share premium	589,595
Finance income arising from debt reduction	58,082
Tax effect	(14,521)

Profit (Loss) for the year	43,561
Total effect on Equity	751,409

a) Share capital

Once the increase had been effected, the share capital of Fomento de Construcciones y Contratas, S.A. consists of 378,825,506 book-entry ordinary shares of EUR 1 par value each.

All the shares carry the same rights and have been fully subscribed and paid.

The shares of Fomento de Construcciones y Contratas, S.A. are publicly listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges and are traded through the Spanish Stock Market Interconnection System.

With regard to share capital of over 10% owned by other companies either directly or through their subsidiaries, according to information furnished, Inversora Carso, S.A. de C.V., which is in turn controlled by the Slim family, had a 61.11% ownership interest in the share capital directly or indirectly at the date of authorisation for issue of these financial statements. Samede Inversiones 2010, S.L. also has an indirect ownership interest of 15.44% in the share capital and the company Nueva Samede 2016 S.L.U. (Nueva Samede) holds a direct stake of 4.53%, these two companies are controlled by Esther Koplowitz Romero de Juseu (100%).

Ms Esther Koplowitz Romero de Juseu also directly owns 123,313 shares of Fomento de Construcciones y Contratas, S.A.

On 27 November 2014, the two main shareholders signed the "Investment Agreement" whereby both parties undertook not to increase their individual ownership interest in Fomento de Construcciones y Contratas, S.A. to above 29.99% of the voting share capital for a period of four years. Subsequently, on 5 February 2016, the aforementioned shareholders signed an amended, non-terminating renewal contract in respect of the agreement. The main features of this renewal are as follows:

- The inclusion of Nueva Samede, a company associated with Esther Koplowitz Romero de Juseu, in the agreement, as a new shareholder of Fomento de Construcciones y Contratas S.A. (FCC) following the new capital increase.
- Amendment of FCC's corporate governance arrangements regarding share transfers in the event that, as a result of the new capital increase and subscription undertaking Control Empresarial de Capitales S.A. de C.V. (CEC) and/or the Guarantor, Inversora Carso, S.A. de C.V. (Carso) should exceed 29.99% of the capital with voting rights or should acquire control of FCC, and the elimination of the provision regarding the parties' maximum stakes in the Company's capital.
- Amendments to FCC's articles of association and the make-up of the board of directors, if CEC and/or Carso should reach a percentage of voting rights that is equal to or greater than 30% or should in any other way acquire control of the Company.

Also, on 5 February 2016, Esther Koplowitz Romero de Juseu, Dominum Dirección y Gestión S.A. and Nueva Samede 2016 S.L.U entered into an agreement for the "Sale and Purchase of Subscription Rights in the New Capital Increase and Other Supplementary Agreements". The main features of this agreement refer to: (i) establishing the terms and conditions to govern the transfer of preference subscription rights in the capital increase effected by Esther Koplowitz and Dominum Dirección y Gestión S.A. to Nueva Samede S.L.U.; (ii) the subsequent exercise of those rights by Nueva Samede; and (iii) regulation of the undertaking made by Carso (as the financier) to finance Nueva Samede in the acquisition of the preference subscription rights and paying-up of the shares resulting from the capital increase.

On 4 March 2016 CEC announced the launch of an OPA for Fomento de Construcciones y Contratas S.A., as its parent, Carso, achieved a percentage of directly or indirectly attributable voting rights of 36.595% (29.558% owned and 7.036% by attribution of Nueva Samede's holding). The bid referred to 100% of the Company's share capital at a price of 7.6 euros per share. The request was filed at the Spanish Stock Market Commission (CNMV) on 5 April and accepted for processing by the CNMV on 18 April. Finally, on 22 July, the CNMV communicated that the OPA was accepted for 97,211,135 shares, representing 25.66% of the share capital (48.30% of the shares targeted).

On 1 July 2016 the transfer from Nueva Samede to Carso of 9,454,167 ordinary shares of Fomento de Construcciones y Contratas S.A. was completed, representing 2.496% of its share capital. The price was 6.4782 euros per share, making the effective total of the transaction EUR 61,245,984.70.

b) Retained earnings and other reserves

The breakdown of "Retained Earnings and Other Reserves" on the accompanying consolidated balance sheets as at 31 December 2016 and 2015 is as follows:

	2016	2015
Reserves of the Parent	533,230	(54,664)
Consolidation reserves	342,761	356,006
	875,991	301,342

b.1) Reserves of the Parent

"Reserves of the Parent" relates to the reserves recognised by Fomento de Construcciones y Contratas S.A., the Parent of the Group, arising mainly from retained earnings and, where appropriate, from compliance with the applicable legislation.

The detail at 31 December 2016 and 2015 is as follows:

	2016	2015
Share premium	1,673,477	1,083,882
Legal reserve	26,114	26,114
Reserve for retired capital	6,034	6,034
Voluntary reserves	(1,172,395)	(1,170,694)
	533,230	(54,664)

Share premium

The Consolidated Text of the Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use for other purposes.

Legal reserve

Under the Consolidated Text of the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve cannot be distributed to shareholders except in the event of liquidation.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Reserve for retired capital

This reserve includes the par value of the treasury shares retired in 2002 and 2008 with a charge to unrestricted reserves, in accordance with Article 335.c of the Spanish Limited Liability Companies Law. The reserve for retired shares is restricted, unless the same requirements as those stipulated for capital reductions are met.

Voluntary reserves

There are no limitations or restrictions as to the use of these reserves, which are recognised on a voluntary basis using the Parent's profit following the distribution of dividends and the appropriations to the legal or other restricted reserves in accordance with current legislation.

b.2) Consolidation reserves

"Consolidation Reserves" in the accompanying consolidated balance sheet includes the consolidated reserves generated in each of the business areas since their inclusion in the Group. In accordance with IAS 27 "Separate Financial Statements", it also includes those arising from changes in the ownership interests in Group companies, where control is retained, for the difference between the amount of the further acquisition or sale and the carrying amount of the ownership interest. Also, in accordance with IAS 19 "Employee Benefits", "Consolidation Reserves" includes the actuarial gains and losses on pension plans and other employee benefit obligations. The detail of "Consolidation Reserves" at 31 December 2016 and 2015 is as follows:

	2016	2015
Environmental Services	74,566	69,296
Water	501,967	433,357
Construction	(133,320)	(182,272)
Cement	118,838	148,963
Corporate	(219,290)	(113,338)
	342,761	356,006

c) Treasury shares

"Treasury Shares" includes the shares of the Parent owned by it or by other Group companies, measured at acquisition cost.

The Board of Directors and the subsidiaries were authorised by the shareholders at the Annual General Meeting of Fomento de Construcciones y Contratas, S.A. to derivatively acquire treasury shares, with the limits and in accordance with the requirements of Article 144 et seq. of the Spanish Limited Liability Companies Law.

There were no movements with treasury securities in 2016. Details of the movements in 2015 are given below:

Balance at 31 December 2014	(5,278)
Sales	179,220
Acquisitions	(179,444)
Balance at 31 December 2015	(5,502)
Sales	—
Acquisitions	—
Balance at 31 December 2016	(5,502)

The detail of the treasury shares at 31 December 2016 and 2015 is as follows:

	2016		2015	
	Number of shares	Amount	Number of shares	Amount
Fomento de Construcciones y Contratas, S.A.	415,500	(5,502)	415,500	(5,502)
TOTAL	415,500	(5,502)	415,500	(5,502)

At 31 December 2016, the shares of the Parent owned by it or by its subsidiaries represented 0.11% of the share capital (31 December 2015: 0.16%).

d) Other equity instruments

This heading includes, in accordance with IAS 32 "Financial Instruments: presentation", the measurement of the equity component resulting from accounting for the issue of bonds convertible into shares of the Company.

In October 2009 Fomento de Construcciones y Contratas, S.A. launched an issue of bonds exchangeable for shares of the Company, maturing on 30 October 2015. Certain terms and conditions were amended and approved by the General Assembly of the Syndicate of Bondholders on 5 May 2015 and by the shareholders at the Company's Annual General Meeting on 23 June 2015. The main features following the amendments are as follows:

- The amount of the issue was EUR 450,000 thousand with final maturity on 30 October 2020. On 12 May 2015, EUR 200 thousand of bonds were converted into 5,284 treasury shares of the Company.
- The bonds were issued at par with a face value of EUR 50 thousand.
- The price for which the bonds could be exchanged for shares of the Company was adjusted and established at EUR 30.00 per ordinary share, resulting in each nominal amount of EUR 50 thousand in bonds entitling the owner to receive 1,666.66 ordinary shares. Subsequently, as a result of the dilution arising from the capital increases in 2014 and 2016, the conversion price was adjusted to EUR 22.19 per ordinary share in 2014, representing that each nominal sum of EUR 50 thousand in bonds would entitle the holder to receive 2,253.27 ordinary shares, and at EUR 21.50 euros per ordinary share in 2016, resulting in each nominal amount of EUR 50 thousand in bonds entitling the owner to receive 2,325.58 ordinary shares.
- The entitlement to convert the bonds may be exercised at the request of each of the holders, at any time until 30 October 2020, pursuant to the terms and conditions of the bonds.
- A new case of optional repayment for the issuer from 30 October 2018 is included.
- Following the restructuring, the Convertible Bonds are no longer subordinated.

Under the terms and conditions of the Convertible Bond, in 2016 a put period of 60 working days was triggered, in which each individual bondholder had the right to ask the Company to return the principal of the bond plus interest accrued since the payment date of the last coupon (30 April 2016). On the expiry of this period, which ran from 30 June until 29 August, 92.7% of the bondholders exercised this right, with the consequent cancellation of the Convertible Bond by the same proportion. At the request of each of the holders and under the same conditions as prior to their partial cancellation, the conversion right may be exercised at any time until 30 October 2020. In addition, Fomento de Construcciones y Contratas S.A. is entitled to amortise in advance all the bonds from October 2018 at their par value plus the interest accrued by that date. The sum of amortised bonds in 2016 stands at EUR 417,600 thousand, with bonds for a nominal sum of EUR 32,200 thousand remaining active as at 31 December 2016. Consequently, in 2016, the proportional part of the equity component in respect of the amortisation of 2016 bonds has been transferred to the heading "voluntary reserves".

With regard to the issue of convertible bonds, we it should also be noted that the Company's purchase option enabling the bonds to be repurchased in certain circumstances (Trigger Call) was valued as at 31 December 2016 at EUR 30 thousand (31 December 2015: EUR 1,816 thousand).

e) Valuation adjustments

The detail of "Valuation Adjustments" in the accompanying consolidated balance sheets as at 31 December 2016 and 2015 is as follows:

	2016	2015
Changes in fair value of financial instruments	(177,831)	(237,595)
Translation differences	(121,178)	(27,371)
	(299,009)	(264,966)

e.1) Changes in fair value of financial instruments:

"Changes in Fair Value of Financial Instruments" includes the changes, net of taxes, in the fair value of available-for-sale financial assets (Note 14) and of cash flow hedging derivatives (Note 23).

The detail of the adjustments due to changes in the fair value of financial instruments at 31 December 2016 and 2015 is as follows:

	2016	2015
Available-for-sale financial assets	9,781	9,830
Vertederos de Residuos, S.A.	9,710	9,710
Other	<u>71</u>	<u>120</u>
Financial derivatives	(187,612)	(247,425)
Fomento de Construcciones y Contratas, S.A.	(1,683)	(1,732)
Azincourt Investment, S.L.	(401)	(1,056)
Urbs Iudex et Causidicus, S.A.	(38,022)	(37,360)
Globalvia Group	—	(68,401)
FCC Environment (UK) Group	(15,933)	(12,026)
Cedinsa Group	(51,352)	(43,397)
Concesió Estacions Aeroport L.9, S.A.	(74,995)	(75,027)
Other	(5,226)	(8,426)
	(177,831)	(237,595)

e.2) Translation differences

The detail of the amounts included under "Translation Differences" for each of the most significant companies at 31 December 2016 and 2015 is as follows:

	2016	2015
European Union:		
FCC Environment (UK) Group	(100,166)	(82,505)
Dragon Alfa Cement Limited	(1,905)	(1,676)
Other	<u>(13,293)</u>	<u>6,439</u>
	(115,364)	(77,742)
USA:		
FCC Construcción de América Group	11,861	12,366
Globalvia Group	—	6,723
Giant Cement Holding, Inc.	109	5,811
Other	<u>1,561</u>	<u>463</u>
	13,531	25,363
Egypt:		
Orasqualia Devel. Waste T.P. S.A.E.	(5,433)	(606)
Egypt Environmental Services, S.A.E.	(3,117)	521

	2016		2015	
Other	(2,962)	(11,511)	(332)	(417)
Tunisia:				
Société des Ciments d'Enfidha	(9,503)		(8,992)	
Other	(356)	(9,859)	(407)	(9,399)
Latin America:				
Globalvia Group	—		22,123	
FCC Construcción de América Group	4,641		7,382	
Other	(2,671)	1,970	(2,133)	27,372
Other currencies				
Other	55	55	7,450	7,450
	(121,178)		(27,371)	

The changes in 2016 were the result mainly of the depreciation the pound sterling against the euro and the charging to profit of loss resulting from the sale of Globalvia (Notes 4 and 5).

The detail, by geographical market, of the net investment in currencies other than the euro (translated to euros as described in Note 3-k) is as follows:

	2016	2015
UK	370,260	426,914
US	63,238	73,135
Latin America	66,723	102,171
Czech Republic	70,755	72,635
Other	140,257	160,476
	711,233	835,331

f) Earnings per share

Basic earnings per share are calculated by dividing the result attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, resulting in a loss per share of EUR (0.45) in 2016 (2015: loss per share EUR (0.18)).

In relation to the bond issue described in paragraph d) above, it should be noted that dilutive effects could exist if the bondholders were to exercise the conversion option under certain conditions. Under IAS 33 "Earnings per Share", diluted earnings per share shall be calculated by adjusting the weighted average number of shares outstanding under the assumption that all the bonds have been converted into ordinary shares. In addition, the earnings attributable to the Parent shall be adjusted by increasing them by the amount of the interest, net of the tax effect, relating to the bonds recognised in the accompanying consolidated statement of profit or loss. The resulting calculations mean that in both 2016 and 2015 no dilution in the profit or loss per share occurred, as defined in the standard cited.

II. Non-controlling interests

"Non-Controlling Interests" in the accompanying consolidated balance sheet reflects the proportional part of the equity and the result for the year after tax of the companies in which the Group's non-controlling interests have ownership interests.

The detail of "Non-Controlling Interests" at 31 December 2016 and 2015 in relation to the main companies is as follows:

	Equity		Profit or loss	Total
	Share capital	Reserves		
2016				
Cementos Portland Valderrivas Group	15,983	119,227	(46,003)	89,207
Aqualia Czech	33,958	9,553	(90)	43,421
Other	17,272	(8,582)	4,173	12,863
	67,213	120,198	(41,920)	145,491
2015				
Cementos Portland Valderrivas Group	16,004	134,438	(11,055)	139,387
Aqualia Czech	33,958	12,002	(2,561)	43,399
Other	16,362	1,627	5,741	23,730
	66,324	148,067	(7,875)	206,516

19. LONG TERM AND SHORT-TERM PROVISIONS

The detail of the provisions at 31 December 2016 and 2015 is as follows

	2016	2015
Long-term	1,175,595	1,254,119
Long-term employee benefit obligations	27,407	75,453
Dismantling, removal and restoration of non-current assets	117,079	137,244
Environmental activities	201,144	226,440
Litigation	85,944	94,242
Contractual and legal guarantees and obligations	82,232	100,691
Other provisions for contingencies and charges	<u>661,789</u>	<u>620,049</u>
Short-term	202,911	194,743
Construction contract settlement and contract losses	185,888	175,290
Other provisions	<u>17,023</u>	<u>19,453</u>

The changes in "Long-Term Provisions" and "Short-Term Provisions" in 2016 and 2015 were as follows:

	Long-term provisions	Short-term provisions
Balance at 31-12-2014	1,157,870	288,469
Environmental expenses for the removal or dismantling of assets	12,379	—
Changes in employee benefit obligations arising from actuarial gains or losses	(7,917)	—
Measures to upgrade concessions or expand concession capacity	6,335	—
Provisions recognised/(reversed)	80,354	(59,527)
Amounts used (payments)	(121,524)	(23,939)
Changes in the scope of consolidation, translation differences and other changes	126,622	(10,260)
Balance at 31-12-2015	1,254,119	194,743
Environmental expenses for the removal or dismantling of assets	7,110	—
Changes in employee benefit obligations arising from actuarial gains or losses	9,810	—
Measures to upgrade concessions or expand concession capacity	7,582	—
Provisions recognised/(reversed)	116,684	12,390
Amounts used (payments)	(133,914)	(14,679)
Changes in the scope of consolidation, translation differences and other changes	(85,796)	10,457
Balance at 31-12-2016	1,175,595	202,911

"Allocations (reversion)" includes the allocation of EUR 53,400 thousand for expenses incurred in the restructuring of the workforce in the construction business (EUR 22,319 thousand as at 31 December 2015), and allocations for environmental actions totalling EUR 27,256 thousand (EUR 19,486 thousand as at 31 December 2015). The above items under "Applications (payments)" include payments of EUR 40,680 thousand (EUR 36,884 thousand as at 31 December 2015) and EUR 22,343 thousand (EUR 22,858 thousand as at 31 December 2015), respectively, with impact on "Other proceeds/(payments) relating to operating activities" in the consolidated cash-flow statement. The heading "Changes in the scope of consolidation, translation differences and other changes" presents a significant variation compared with 2015, mostly owing to the evolution of the exchange rate of the pound sterling, the value of which depreciated notably in 2016, while in 2015 it appreciated, and also to the consolidation method of Giant Cement Holding, which changed to the equity method (Note 5).

"Environmental Expenses for the Removal or Dismantling of Assets" includes the balancing item for the increased asset value relating to the discounted present value of the expenses that will be incurred when operation of the asset ceases.

"Measures to Upgrade Concessions or Expand Concession Capacity" includes the balancing item for the increase in the value of non-current assets relating to the discounted present value of the infrastructure work carried out by the concession operator during the concession term to upgrade the concessions and expand their capacity.

The provisions included in the accompanying consolidated balance sheet are considered to cover the inherent liability that may arise in the course of the Group's various business activities.

The timing of the expected outflows of economic benefits at 31 December 2016 arising from the obligations covered by long-term provisions is as follows:

	Within five years	After five years	Total
Long-term employee benefit obligations	11,366	16,041	27,407
Dismantling, removal and restoration of non-current assets	70,526	46,553	117,079
Environmental activities	42,008	159,136	201,144
Litigation	51,437	34,507	85,944
Contractual and legal guarantees and obligations	34,394	47,838	82,232
Other provisions	562,439	99,350	661,789
	772,170	403,425	1,175,595

Long-term employee benefit obligations

"Long-Term Provisions" in the accompanying consolidated balance sheet includes the provisions covering the Group companies' obligations in respect of pensions and similar obligations such as medical and life insurance, as indicated in Note 25.

Environmental provisions

The FCC Group's environmental policy goes beyond strict compliance with current legislation in the area of environmental improvement and protection to include the establishment of preventative planning and the analysis and minimisation of the environmental impact of the activities carried on by the Group.

FCC Group management considers that the Group companies' contingencies relating to environmental protection and improvement at 31 December 2016 would not have a significant impact on the accompanying consolidated financial statements, which include provisions to cover any probable environmental risks that might arise.

Note 29 to the consolidated financial statements, relating to information on the environment, provides additional information on environmental provisions.

Provisions for litigation

Provisions for litigation cover the contingencies of the FCC Group companies acting as defendants in certain proceedings in relation to the liability inherent to the business activities carried on by them. The lawsuits, although numerous, are not expected to have an impact on the Group's equity according to estimates regarding their final outcomes.

Contractual and legal guarantees and obligations

"Contractual and Legal Guarantees and Obligations" includes the provisions to cover the expenses arising from contractual and legal obligations of a non-environmental nature.

Provisions for construction contract settlements and contract losses

These provisions are recognised for losses budgeted for in construction projects in accordance with the measurement bases set forth in Note 3.s, and for the expenses arising from such projects from the date of their completion to the date of their definitive settlement, which are determined systematically as a percentage of the value of production over the term of the contract based on experience in the construction business.

Provisions for other contingencies and charges

"Provisions for Other Contingencies and Charges" includes the items not classified in the aforementioned accounts, comprising most notably the provisions relating to Alpine, which are explained in further detail in the following paragraphs.

On 19 June 2013, Alpine Bau GmbH (the head of the group of operating companies of the Alpine Group) presented a petition for insolvency proceedings with court-ordered liquidation and a winding-up proposal to the Vienna Commercial Court. This application resulted in the closing of the business and the liquidation of its corporate assets (Schließung und Zerschlagung). On 28 June 2013, Alpine holding GmbH (the parent of Alpine Bau GmbH) directly filed for insolvency and liquidation. During the insolvency proceedings, the insolvency managers reported, in the liquidation process, recognised liabilities amounting to approximately EUR 1,750 million at Alpine Bau GmbH and EUR 550 million at Alpine Holding GmbH.

As a result of these two court-ordered liquidation proceedings of the subsidiaries of FCC Construcción, S.A., the latter lost control over the Alpine Group, which was de-consolidated.

As a result of these insolvency proceedings, at 31 December 2016 the FCC Group had recognised provisions in relation to the Alpine subgroup amounting to EUR 132,910 thousand in order to cover the contingencies and liability arising from the activities carried on by the aforementioned subgroup. The breakdown of these provisions is as follows:

Challenge to the sale of Alpine Energie	75,000
Encumbered collateral provided and accounts receivable for contracts of Alpine	57,910
Total	132,910

The provision for the challenge to the sale of Alpine Energie Holding AG amounting to EUR 75,000 thousand covers the risk relating to the action brought by the insolvency managers of Alpine Bau GmbH on 11 June 2014 against the Parent of the Group, Fomento de Construcciones y Contratas, S.A. and two of its subsidiaries: Asesoría Financiera y de Gestión, S.A. and Bveftdomintaena Beteiligungsgverwaltung GmbH. It should be noted in relation to the aforementioned proceedings that the expert commissioned by the Spanish Public Prosecutor's Office adjudged in October 2015 that the sale of Alpine Energie did not cause any damage or loss to Alpine Bau and that the sale conditions were in line with the prevailing

market conditions at the time; therefore the judgement does not consider any dealings in assets with a view to defrauding creditors to have occurred. The Anti-Corruption and Economic Offences Prosecutor's Office has fully accepted the criteria set forth in the expert report, agreeing to close part of the investigation. Although this report was issued in the framework of criminal proceedings and the judge of the commercial court who processed the claim for retrospective annulment is under no obligation as a result of such conclusions, it is expected that if it has been considered that the sale was not detrimental to Alpine's assets, this should have a bearing on whether or not the retrospective annulment of the sale is upheld. However, in view of the uncertainty as to the final outcome, the Group maintained the provision recognised in prior years.

FCC Construcción, S.A. provided corporate guarantees in order for certain subsidiaries of the Alpine subgroup to be awarded the contracts and, on the bankruptcy of the subgroup, FCC Construcción, S.A. may have to meet these obligations. In addition, in the ordinary course of its business activities, the FCC Group generated accounts receivable from the Alpine subgroup, which are highly unlikely to be recovered as a result of the bankruptcy proceedings. In order to cover both risks, the Group recognised provisions amounting to EUR 57,910 thousand on the liability side of its consolidated balance sheet.

Since the bankruptcy of Alpine Holding GmbH and Alpine Bau GmbH, preliminary investigations have been conducted by the Spanish Anti-Corruption and Financial Crime Prosecutor's Office and the following civil proceedings have been brought which entail certain risks. These proceedings are as follows:

- **Preliminary investigations:**

- In July 2013 the claim filed by a bondholder against five Directors of Alpine Holding GmbH (all of whom were Directors when the bonds were issued and they filed for insolvency) gave rise to the investigations by the aforementioned Spanish Anti-Corruption and Financial Crime Prosecutor's Office.
- In April 2014 a former Director of Banco Hypo Alde Adria filed a claim against FCC Construcción, S.A., Alpine Holding GmbH, Alpine Bau GmbH, three of their Directors and one employee of Fomento de Construcciones y Contratas, S.A. The investigations initiated by the Spanish Public Prosecutor's Office have been added to those mentioned above.

- **Civil and commercial proceedings**

- In 2014 two bondholders filed two civil claims against FCC Construcción, S.A. and a Director for EUR 12 thousand and EUR 506 thousand. In October 2016 notice was given of another law suit, filed three years previously, claiming EUR 23 thousand. Currently these three proceedings have been suspended pending a preliminary judgment being handed down in the criminal jurisdiction.
- The insolvency managers of Alpine Holding filed a claim of EUR 186 million against FCC Construcción, S.A. as it considers that this company must indemnify Alpine Holding GmbH for the amounts which the latter raised through bond issues in 2011 and 2012 and which the latter allegedly loaned to Alpine Bau GmbH without the necessary guarantees. Notice of the claim was given in April 2015 and the proceeding is at the evidence phase.

The accompanying consolidated financial statements include the aforementioned provisions to cover the probable risks in connection with certain of these lawsuits. In relation to the remainder of the lawsuits, the Group and its legal advisers do not consider it likely that there will be any future cash outflows and, therefore, no provision has been recognised in this connection as the Group considers that the related liabilities constitute contingent liabilities (Note 26).

20. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

The FCC Group's general policy is to provide all the Group companies with the financing that is best suited to the normal conduct of their business activities.

This financial liability management model was modified with the entry into force of the Refinancing in June 2014 because the financing of the consolidated group of companies was arranged by the Parent Fomento de Construcciones y Contratas, S.A., and most of the bilateral financing of the companies in the scope of consolidation was repaid.

Should the financial transaction so require, following a hedging policy for accounting purposes, the Group arranges interest rate hedging transactions on the basis of the type and structure of each transaction (Note 23).

In certain types of financing, particularly non-recourse structured financing, the lender requires the arrangement of some kind of interest rate hedge and the Group assesses the best hedging instrument based on the project's cash flow profile and the debt repayment schedule.

a) Non-current and current debt instruments and other marketable securities

The main characteristics of the non-current and current debt instruments and other marketable securities arranged by the Group in prior years and maintained or have been settled in 2016 are as follows:

On 31 July 2012, Giant Cement Holding Inc. issued debt instruments totalling USD 430,000 thousand for the purpose of refinancing its main debts, which were set to mature mainly in 2012 and 2013.

A profit-sharing agreement was also arranged for a 20% share of the EBITDA recognised by Giant Cement Holdings Inc. each year, provided that it was positive (a profit), to be paid at the end of the loan term. This transaction was recognised applying the effective interest method and, therefore, the debt arrangement expenses were recognised as a reduction of the amount of the debt. This year it was amortised in advance at a cost of EUR 20,014 thousand (Note 27).

As a result of the capital increase carried out at Giant Cement Holding Inc. in November for USD 220 million, 100% subscribed by the company Elementia S.A. de C.V., the participating interest held by Cementos Portland Valderrivas in Giant Cement Holding Inc. fell from 100% to 45%.

Following this operation, and in accordance with the applicable regulations, in November the financial statements of Giant Cement began to be consolidated by the equity method. Consequently, its financial debt is not included on the consolidated balance sheet of the FCC Group as at 31 December 2016. As at 31 December 2015 this bond stood at EUR 418,771 thousand as the principal, with EUR 18,628 thousand in interest accrued and not yet paid.

Also, in 2005 Severomoravské Vodovody a Kanalizace Ostrava, A.S. (SmVak) issued non-Convertible Bonds amounting to CZK 2,000,000, due on 15 November 2015 at a nominal interest rate of 5%.

To repay this bond early, in July 2016 SmVak issued a seven-year local bond at a fixed interest rate for an amount of CZK 5,400,000 thousand, with a coupon of 2.625% and a rating of BBB- from the rating agency Fitch.

The balance for this item as at 31 December 2016 is EUR 199,822 thousand (31 December 2015: EUR 199,417 thousand), which includes EUR 2,390 thousand in interest accrued and not yet paid (i.e., the same figure as in 2015). The Bloomberg quotation as at 31 December 2016 was 101.5%.

The issue on 30 October 2009 by Fomento de Construcciones y Contratas S.A. of convertible bonds totalling EUR 450,000 thousand was allocated to international institutional investors.

The restructuring of these convertible bonds was included in the framework of the overall refinancing of the Group in 2014. This restructuring consisted of extending the original maturity of the convertible bonds -set for October 2014- by six years until October 2020, initially reducing the conversion price from EUR 37.85 to EUR 30. After 1 December 2014, owing to the capital increase carried out at FCC S.A., the conversion price was lowered to EUR 22.19, and as a result of the latest capital increase completed in March 2016 it was lowered once more to EUR 21.5, while the interest rate remained constant at 6.5%.

In accordance with applicable accounting regulations, in addition to their financial component, the convertible bonds have another component that is recognised in equity as described in Note 18.d. Note 18.d also describes the terms of the convertible bond issue.

As a result of the restructuring of the convertible bonds, as it is a compound instrument, the fair value of the convertibility option equity instrument was determined under the new conditions, mainly the lengthening of the maturity and the adjustment to its conversion price, as a result of the dilution arising from the successive capital increases. As the exercise price of the conversion option was far superior to the market price of the share and it was not expected that the market price would reach or exceed the exercise price of the option, the option was considered to be out of the money and its fair value was therefore considered to be zero.

As a result, the carrying amount of the liability component and the equity instrument was maintained unaltered. In relation to the liability component, since its fair value, using as the discount rate the effective interest rate resulting from the conditions applied to the bond issue in 2009, was very close to its carrying amount, and having verified that the present value of the cash flows discounted under the new terms and conditions, including any fees and commissions paid, using the original effective interest rate, differed by less than 10% from the discounted present value of the cash flows still remaining from the original financial liability, the aforementioned refinancing did not give rise to the derecognition of the initial liability. It is important to Note that the restructuring of the bond affected its maturity but did not give rise, under any circumstances, to the early conversion of the bond.

Also, in January 2015 a group of convertible-bondholders took legal action to petition the English courts to declare that the New Restructuring Framework agreement and its corresponding judicial approval constituted a general financial restructuring process that enabled its holders to request from FCC individual advance repayment of their credit. On 16 April 2015 the English court issued an order acknowledging the bondholders right to request from FCC partial advance repayment on an individual basis (in respect of the bonds held by each holder).

FCC filed an appeal against the court order and, on 22 November 2016 the competent UK court (England and Wales Court of Appeal) ratified the order issued by the lower court.

As a result of the capital increase of EUR 709.5 million completed in March 2016 and the consequent OPA for 100% of the capital launched by CEC, S.A. de CV, once the legal threshold of 30% established under RD 1066/2007 had been exceeded, the final participating interest held by Inversora Carso reached 61.11%. The General Meeting of Shareholders held on 28 June approved the changes to the make-up of the board of directors, in accordance with the new shareholding majorities, with Inversora Carso accounting for more than half the members of the Board of Directors.

Under the terms and conditions of the convertible bond, this change to the board meant that effective control had also changed, triggering a put period of 60 working days in which each bondholder had the right to request, on an individual basis, to FCC the return of the bond principal (EUR 50,000 per bond) plus interest accrued since the payment date of the last coupon (30 April 2016). Upon the expiry of this period, which ran from 30 June until 29 August, 92.7% of the bondholders exercised this right, with the consequent cancellation of the principle of the convertible bond by the same proportion.

At the request of each of the holders and under the same conditions as prior to their partial cancellation, the conversion right may be exercised at any time until 30 October 2020.

In addition, FCC, S.A. is entitled to amortise in advance all the bonds from October 2018 at their par value plus the interest accrued by that date.

The balance recognised in this connection at 31 December 2016 under "Debt Instruments and Other Marketable Securities" in the accompanying consolidated balance sheet amounted to EUR 32,548 thousand (31 December 2015: EUR 451,396 thousand), including EUR 348 thousand of accrued interest payable (31 December 2015: EUR 4,873 thousand). These bonds traded at 101.1% of par at 31 December 2016 according to Bloomberg.

b) Non-current and current bank borrowings

The detail at 31 December 2016 and 2015 is as follows:

	Non-current	Current	Total
2016			
Credit facilities and loans	3,085,373	249,041	3,334,414
Borrowings without recourse to the Parent	503,193	25,464	528,657
Limited recourse project financing loans	622,818	50,247	673,065
FCC Environment Group	439,952	11,447	451,399
Other	<u>182,866</u>	<u>38,800</u>	<u>221,666</u>
	4,211,384	324,752	4,536,136
2015			
Credit facilities and loans	3,608,969	223,579	3,832,548
Borrowings without recourse to the Parent	64	836,672	836,736
Limited recourse project financing loans	718,002	260,398	978,400
FCC Environment Group	572,937	231,252	804,189
Other	<u>145,065</u>	<u>29,146</u>	<u>174,211</u>
	4,327,035	1,320,649	5,647,684

Of particular Note in the foregoing table is the syndicated loan that arose from the refinancing process completed in 2014 with a principal amounting to EUR 3,237 million, having repaid the EUR 900 million after the application of a portion of the funds obtained through the capital increase performed by the Parent of the Group in December 2014 and the two repayments made in 2016: the one corresponding to tranche B, to the value of EUR 386 million, funded by the capital increase carried out by FCC S.A. and completed on 4 March 2016, including the haircut negotiated with the lending banks, and a tranche-A repayment to the value of EUR 141 million, as previously included in the schedule for refinancing repayments.

There are three separate groups of borrowings in the foregoing table:

1. Credit facilities and loans

Include the financing forming part of the Refinancing Agreement entered into by Fomento de Construcciones y Contratas, S.A. in March 2014, which came into force in June of that year.

In 2013 the FCC Group decided to commence the refinancing of most of the FCC Group's debt in order to achieve a sustainable financial structure adapted to the generation of cash projected for the Group in the prevailing market environment, which would enable it to focus on the other objectives of its 2013-2015 Strategic Plan aimed at improving profitability, reducing indebtedness and strengthening the capital structure.

The refinancing process was formalised through the refinancing agreements entered into on 24 March and 1 April 2014 by FCC, S.A., other Group companies and the lending banks. Subsequent to

compliance with certain conditions, the refinancing process came into effect on 26 June 2014, the date on which the full amount under the Financing Agreement was received and interest began to accrue. The refinancing was subscribed by virtually all the financial entities involved (more than 40 entities), achieving coverage of 99.98% of the liabilities affected.

The refinancing was instrumented mainly through (i) the arrangement of a syndicated loan amounting to EUR 4,528 million; (ii) the entering into of a financial stability agreement for guarantee and working capital facilities; (iii) the restructuring of the Convertible Bonds issued in 2009 amounting to EUR 450 million (discussed above); and (iv) the arrangement of other additional financing agreements.

On 21 November 2014, the FCC Group entered into a binding agreement, the “New Restructuring Framework Agreement”, with lending entities representing 86.5% of the Financing Agreement and another existing debt, under which the following was agreed:

- i) the use of the proceeds net of expenses arising from the 2015 capital increase; and
- ii) the modification of certain terms and conditions of the Financing Agreement.

Specifically, the aforementioned agreement established that EUR 765 million of the proceeds from the 2015 capital increase be used to repay and amortise EUR 900 million of Tranche B of the Financing Agreement, with the lending entities of Tranche B thereby assuming a debt reduction of 15%. It also provided for margin reduction and payment deferrals, including the potential extension of the term of Tranche B in the case of non-conversion. The lending entities' share of this debt reduction was proportional to their respective participation in Tranche B.

Since the aforementioned "New Restructuring Framework Agreement" had been approved by 86.5% of the lending entities, a court approval procedure was implemented to apply certain agreements provided for therein (in particular, debt reduction, margin reduction and payment deferrals, including the potential extension of the term of Tranche B in the case of non-conversion) to all of the lending entities in accordance with Additional Provision Four of Spanish Insolvency Law 22/2003, of 9 July. On 12 January 2015, Barcelona Commercial Court no. 10 ruled in favour of FCC, agreeing to the court approval of the New Restructuring Framework Agreement and the extension of its effectiveness to the entities that had not signed it. The court approval was challenged by three creditors whose joint share in Tranche B affected by the New Restructuring Framework Agreement amounted to EUR 36 million (taking into account the aforementioned 15% debt reduction). In accordance with Additional Provision Four of Insolvency Law 22/2003, the reasons for a challenge are limited exclusively to: (i) compliance with the percentages required under Additional Provision Four of Insolvency Law 22/2003, and (ii) the disproportionate nature of the sacrifice required. On 2 November 2015, the Court summoned the parties to submit their objections to the written challenge in a period of ten working days. This period expired on 17 November 2015, and the Company submitted its statement of defence to the challenge on that date. On 29 November 2016 the competent Barcelona court found in favour of FCC, rejecting the appeal against the approval order of 12 January 2015. As this judgment is final, no further appeals may be lodged. The extension of the terms and conditions of the refinancing of the FCC's syndicated loan to all creditors was thus confirmed.

The detail of the most salient aspects of the aforementioned refinancing and its subsequent renewal is as follows:

Financing Agreement and subsequent renewal

The refinancing is structured primarily on the basis of a long-term syndicated financing agreement divided into tranches that came into force on 26 June 2015 (the “Financing Agreement”) which entailed the novation of a significant portion of the various syndicated financing agreements, credit or loan facilities or bilateral financing instruments of FCC, S.A. and certain of its Group companies (the “FCC Refinancing Scope”), with the exception of certain excluded companies and the excluded

subgroups headed by Cementos Portland Valderrivas, S.A., FCC Environment Services, FCC PFI Holdings Ltd and Azincourt Investment, S.L.U. ("Azincourt"), ASA Abfall Services A.G. and Aqualia Czech S.L. (together the "Excluded Subgroups").

The main features of this syndicated financing agreement are as follows:

- **Amount:** the initial amount is EUR 4,528 million, which replaces the debt existing in various syndicated and bilateral structures for the same amount. As a result of the renewal the principal stands at EUR 3,237 million.
- **Tranches:** Tranche A for an initial amount of EUR 3,178 million which is classified as a guaranteed senior commercial loan and Tranche B for an initial amount of EUR 1,350 million that is of the same guaranteed nature as Tranche A and includes a right to convert the outstanding balance at maturity into newly issued shares at market price without a discount (including the PIK or capitalisable component of the accrued interest) through the conversion of loans into share capital or a subordinated loan in certain circumstances envisaged in the Financing Agreement. As a result of the renewal and the use of a portion of the funds from the capital increases effected in 2014 and 2016 to repay Tranche B, the principal amounted to EUR 138 million at 31 December 2016.
- **Maturity:** the maturity of the Financing Agreement was set at 4 years from 26 June 2015 with the possibility of being extended up to a maximum period of 6 years (automatic extension by 1 year in the case of conversion of Tranche B into shares of FCC, S.A. and additional extension by 1 more year where this has been approved by an enhanced majority of 75% of entities financing Tranche B). After novation of the agreement, if Tranche B has not been converted, it will be extended automatically for an additional three-year period.
- **Repayment:** the repayment schedule includes EUR 150 million at 24 months and EUR 175 million at 36 months, and the remainder is payable on maturity. Tranche B is repayable on the original maturity date, notwithstanding its possible conversion into shares under the terms and conditions indicated below. However, if the entities financing Tranche B decide not to convert Tranche B into FCC shares on the original maturity date, the maturity of Tranche B will be automatically extended for an additional three-year period from the original maturity date.
- **Interest rate of Tranche A:** the interest rate established for Tranche A is Euribor plus a floating spread increasing over the period of 3% in the first year, 3.5% in the second year and 4% in the third and fourth years.
- **Cases of early maturity:** the Financing Agreement provides for certain cases of early maturity, which include, inter alia (i) non-payment; (ii) non-achievement of covenants; (iii) material adverse effect; (iv) insolvency proceedings involving any party to the Agreement or relevant subsidiary; and (v) cross default if other debts are not paid.
- **Cases of mandatory total early repayment:** the Financing Agreement provides for certain cases of mandatory total early repayment which include, inter alia (i) a change of control at the FCC Group (which involves the acquisition of control by a third party other than an industrial company or a credit institution of acknowledged solvency, experience and management capacity), unless it results from a monetary capital increase the funds of which are used for the purposes envisaged in the Financing Agreement, or from the acquisition of control as a result of a possible conversion into shares; or the loss of control of the current controlling shareholder that does not involve the acquisition of control by a third party; and (ii) the sale of all or a substantial portion of the assets or businesses of the Group.
- **Cases of mandatory partial early repayment:** among other cases, the Financing Agreement provides for the obligation of the borrowers to repay, early and partially, the

outstanding principal using (i) all of the net proceeds from monetary capital increases, unless (a) they are used to repurchase Tranche B debt (using the Dutch auction procedure); (b) and up to 25% of the proceeds from the capital increase may be used, at the discretion of FCC, as contributions of funds to certain companies in which non-controlling interests are held, Excluded Subgroups (except for Alpine) or certain companies excluded from the FCC Refinancing Scope; (ii) the effective amount paid in by any FCC Group company party to the refinancing or any company in the FCC Refinancing Scope as a result of the subscription of subordinated debt; (iii) proceeds from insurance indemnity payments and the sale of assets, subsidiaries and businesses, except under certain circumstances; and (iv) cash surpluses existing at 31 December of each year which exceed certain minimum amounts.

- **Financial ratios and other borrower obligations:** the Financing Agreement is subject to the achievement of certain half-yearly financial ratios relating to the FCC Refinancing Scope the non-achievement of which may trigger a case for early repayment. At 31 December 2016, the ratios envisaged in this agreement had been achieved.
- **Flexibility in the terms and conditions in the case of deleverage:** if all the circumstances concur, which in accordance with the Financing Agreement constitutes a case of deleverage of the FCC Refinancing Scope, the Financing Agreement provides for the automatic modification of certain conditions and obligations upon the borrowers including (i) the easing of partial early payment assumptions; and (ii) modification of the dos and don'ts obligations incumbent upon borrowers (including the removal of the prohibition on distributions to shareholders), establishing minimum thresholds that triggering the prohibition of constitution of liens and encumbrances or limitations on the disposal and sale of assets when conducted under conditions other than market conditions.

As a result of the aforementioned renewal, certain clauses were modified, thereby mitigating various restrictions imposed by the original Agreement, the most significant being: (i) FCC can provide funding to Group companies other than the borrowers and guarantors if they meet certain requirements; (ii) the maximum amount of additional financial indebtedness in which FCC and other Group companies may incur has been increased; and (iii) the restrictions on dividend payouts were reduced; nevertheless, as at 31 December 2016 the conditions to proceed to paying out dividends were not met.

- **Personal guarantees and security interests:** the Financing Agreement provides for personal guarantees whereby FCC and Group companies acting as guarantors are jointly and severally liable for the fulfilment of the obligations of the other borrowers. In further assurance of compliance with the obligations under the Financing Agreement, certain security interests have been given by the borrowers including (i) a pledge of shares and ownership interests in various FCC Group companies; (ii) a pledge of collection rights relating to bank accounts; and (iii) a pledge of receivables under certain concession arrangements and other collection rights, as well as the grant of a promise of creating additional security interests in certain circumstances.
- There is a promise to create additional security interests in assets of any kind (property, plant and equipment, intangible assets or financial assets) and, in particular, in the Group's property assets which are not encumbered or subject to promises of guarantees, receivables or shares of or ownership interests in any company owned by it in any of the following cases: (i) if the majority of the financial institutions have requested this expressly in view of the circumstances at any given time (regardless of whether or not the additional security interests will be provided to all the guaranteed creditors); (ii) in a case of early maturity of the financing (regardless of whether or not the early maturity of the financing has been declared); or (iii) at any other time at which a guarantee may have become invalid or unenforceable, or may have been cancelled or reduced in any way.

The obligation to create additional security interests will be automatic (i) when, having evidenced the existence of a legal or contractual restriction which impedes the provision of a personal guarantee by a significant subsidiary or other Group company or the existence of non-controlling shareholders outside the FCC Group, the shares or ownership interests in that significant subsidiary or company must be pledged; and (ii) in any of the cases in which security interests are extended to new contracts awarded to or formalised by the companies that form part of the areas of the Group engaging in the provision of urban cleaning and water services.

In relation to the Water division, there is an obligation to pledge the collection rights under the Water division's contracts should Aqualia's factoring arrangements be extinguished or terminated for any reason or if, due to any other circumstance, it is possible to pledge all or some of the aforementioned collection rights.

Also, should any of the obliged parties enter into contracts with any Public Authority outside the scope of Aqualia's factoring arrangements, such obliged parties undertake to pledge the collection rights arising from these contracts provided that their estimated annual billings represent 3% or more of the total billings of the Group's Water Division.

Main characteristics of Tranche B

- **Repurchase of Tranche B:** the Financing Agreement establishes that, in the event of a capital increase at FCC, the proceeds obtained from the increase may be earmarked for the acquisition of Tranche B debt through a Dutch auction process, which could allow for the repurchase of Tranche B at a discount.
- **Interest rate of Tranche B:** as regards Tranche B, the interest rate agreed upon was 1-year Euribor plus an annual fixed spread (PIK component) of 11% in the first year, 13% in the second, 15% in the third and 16% in the fourth year, with the Euribor payable in cash and the PIK component capitalisable at the end of each interest period. In accordance with the novation of the FCC Financing Agreement in November 2014, the PIK component accrued and was capitalised at the reduced rate of 6% solely in relation to the portion of Tranche B that had been repaid and only with respect to the interest accrued from 26 June 2014 to 19 December 2014. As a result of the aforementioned novation of the FCC Financing Agreement, the interest rate on the PIK component was reduced from the aforementioned date to 5% per year on the portion not yet repaid after the novation.

The PIK component of the interest on Tranche B can be converted, temporarily and automatically (without the need for prior approval of the lenders) into a participating subtranche of Tranche B provided that, during the term of the FCC Financing Agreement, the financial adviser in the refinancing issues a report, at the request of FCC, which determines that (i) even if FCC has adopted all the legal measures necessary to increase its equity, or if the adoption of such measures has not been possible, FCC is in a situation of mandatory dissolution pursuant to the Spanish Limited Liability Companies Law; and (ii) this situation of mandatory dissolution was caused exclusively by the accrual of the PIK component. The aforementioned conversion will be a temporary measure, applicable only as long as the circumstances that necessitated the conversion persist. Therefore, if at any time after the conversion FCC's equity position is totally or partially restored, the novation of the participating subtranche of Tranche B will take place automatically and it will be included once again in Tranche B in accordance with its original terms and conditions. The existence of a situation of mandatory dissolution that cannot be automatically remedied by converting the PIK component indicated in the preceding paragraph will constitute grounds for the early maturity of the FCC Financing Agreement. However, it may be agreed, with the approval of lenders whose aggregate share of Tranche B represents 75% or more of the total outstanding balance payable, to convert Tranche B into a participating loan up to the limit of the minimum amount necessary to remedy the situation of mandatory dissolution.

- **Conversion of Tranche B into shares:** as indicated previously, the Financing Agreement envisages that the full balance of Tranche B not yet paid (including the interest PIK component) can be converted into shares of FCC, primarily, and including other cases of early conversion, (i) in the event of failure to repay or refinance Tranche B on maturity (ordinary conversion); (ii) in a case of total or partial mandatory repayment, or a case of early maturity envisaged in the Financing Agreement (early conversion); or (iii) in a case of insolvency proceedings involving FCC, subject at all times to the condition that it is thus agreed upon by lenders whose aggregate share of Tranche B represents 75% or more of the total outstanding balance payable.

The conversion right is instrumented through a warrants issue approved by the shareholders at the Annual General Meeting of FCC, S.A. held on 23 June 2014. The warrants give their holders the right to convert -up to 6 months after the original maturity date- a number of new shares of FCC, S.A. in proportion to their share of the Tranche B debt (including principal and capitalised interest payable at the conversion date) at the market price of the shares upon exercise of the warrants, for which the higher would be considered of (i) the nominal value; and (ii) the value of the weighted average market price of the shares in the eight weeks prior

to the date on which the conversion process is initiated (five months before the original maturity date) in the case of ordinary conversion, or the weighted average market price of the shares during the eight weeks after the date on which the conversion process is initiated, in the case of early conversion.

The warrants were subscribed by the lending entities with a share of Tranche B and are transferable only in the amount of the corresponding share of Tranche B, which simultaneously requires the joint and indivisible transfer of Tranche A. The warrants will not be listed on any secondary market.

In order to minimise the impact on the share price of FCC, S.A. that could result from the conversion, the lending entities assumed certain restrictions on the transfer of shares (lock up) and in relation to the orderly sale thereof.

However, it should be underlined that the warrants will not be convertible into shares of FCC if prior to or on the conversion date the aforementioned Tranche B is repaid or if various circumstances arise together, including most notably: (i) that FCC has provided evidence of the reduction of the Net Financial Debt/EBITDA Ratio of the FCC Refinancing Scope to under 4 times; (ii) that it has repaid at least EUR 1,500 million of the total financing granted through Tranche A and Tranche B; and (iii) that recurring EBITDA exceeds EUR 750 million. In these cases, the conversion of the warrants would be immediately deactivated, Tranche B would be converted into Tranche A and the spread applicable to the interest rate on the total of Tranche A would be set at 4.5%.

In accordance with the terms and conditions of the Refinancing Agreement, the aforementioned warrants enable new shares to be subscribed at their market value, can be exercised on the conversion date and cannot be disposed of separately from the aforementioned share of Tranche B. Therefore, neither the disposal of the warrant, together with the corresponding share of Tranche B, nor the exercise of the option would give rise to the obtainment of any economic benefit for its holder, as it merely affords entitlement to subscribe new shares at their fair value. Therefore, the fair value of the derivative is zero, on both initial recognition and subsequent measurement.

Financial Stability Framework Agreement

To complement the main Refinancing Agreement, a Financial Stability Framework Agreement was entered into governing, inter alia, the financial transactions necessary for day-to-day business activity: domestic and international guarantees amounting to EUR 1,704 million and leasing, renting, reverse factoring, factoring and German models amounting to EUR 459 million for a period of four years; and the commitment -vis-à-vis the lenders- to automatically defer (in terms and conditions of repayment and maturity similar to those set out for Tranche A in the Financing Agreement) the claimability of certain contingent debt items from the time of accrual, as a result of initiating claims or executing security interests provided in relation to guarantees.

Syndicated International Guarantee Facility

Also, the grant of a new international guarantee facility was formalised amounting to EUR 250 million extendible to EUR 450 million, for a period of four years, extendible to six (in line with the possible extensions of the Financing Agreement).

Cementos Portland Valderrivas Deferral Agreement

The refinancing also included the formal arrangement of an agreement entered into in March 2014 with the lending banks of Cementos Portland Valderrivas to defer FCC, S.A.'s obligation to contribute contingent capital of up to EUR 200 million to that subsidiary. The Agreement has a term of four years (extendible to six years), would enter into force from when FCC, S.A.'s contribution obligation became enforceable and would bear, as deferred contingent debt, an interest rate identical to that applicable to Tranche A of the Financing Agreement at any given time.

On 5 February 2015, under the New Restructuring Framework Agreement, EUR 100 million obtained in the 2014 capital increase were contributed to CPV in the form of a subordinated loan, which were used by CPV to reduce its financial indebtedness by this amount while at the same time FCC's obligations under the "CPV Support Agreement" were reduced by this amount.

As part of the CPV refinancing process completed in 2016 (see below), the remaining sum under the aforementioned deferment contract, EUR 100 million, was replaced by a new contingent undertaking, known as a "support contract", between FCC S.A. and Cementos Portland Valderrivas S.A., linked to how CPV's business progresses, for a variable sum of not greater than EUR 100 million.

Also, under the New Restructuring Framework Agreement, in December 2015 the lending entities agreed on the contribution by FCC of EUR 100 million to Azincourt Investment, S.L., also with a charge to the 2014 capital increase, in order to enable it to repay a portion of its debt.

Other recourse borrowings: in addition to the foregoing, and within the recourse borrowings, debts of EUR 61 million at 31 December 2016 should be noted. These are debts arising from the contingencies provided for in the Financial Stability Framework Agreement that were automatically deferred in terms and conditions of repayment and maturity similar to those set out for Tranche A in the Financing Agreement.

2. **Borrowings without recourse to the Parent:** includes the financing relating to the Cementos Portland Group and the Alpine Group, since there is a limited guarantee on the part of the Parent of the FCC Group, Fomento de Construcciones y Contratas, S.A.

Between 29 July and 1 August 2016 the Cementos Portland Valderrivas subgroup complete a financing operation for a total sum of EUR 535.2 million, used to refinance the debt associated with the Spanish business of the Cementos Portland Valderrivas Group, obtained from the syndicated financing contract entered into in 2012, the outstanding principal of which on the refinancing date was EUR 819.2 million. The total cost of the operation breaks down as (i) EUR 350.7 million for the refinanced syndicated financing contract; (ii) EUR 105 million in new bank money; and (iii) EUR 79.5 million from a new subordinated financing contract.

For the refinancing of this debt, part of the previous debt, EUR 468.5 million, was amortised with funds from Fomento de Construcciones y Contratas S.A. by means of a subordinated loan to Cementos Portland Valderrivas (approx. EUR 271 million), new bank money (approx. EUR 105 million), funds from a new subordinated financing contract (approx. EUR 80 million) and cash funds from Cementos Portland Valderrivas S.A. (approx. EUR 13 million).

The new financing was instrumentalised via a senior financing contract for approximately EUR 455.7 million (of which EUR 350.7 million came from the refinanced syndicated financing contract) due in five years (July 2021). The interest rate applicable to this loan is Euribor + 2.40%, reducing the margin to 2% if the gross financial debt/EBITDA is less than 2x. 39% of the debt resulting from this contract will be repaid every six months until the final due date, with the remainder to be paid on the due date, with further partial cash-sweep repayments.

This financing requires compliance with a number of financial ratios from 31 December 2017 and annually until the due date. These ratios are expected to be met by the end of 2017.

The subordinated financing contract for EUR 79.5 million, due six months after the due date of the senior financing contract, is a loan with subordination of the debt resulting from the senior financing contract, the interest rate applicable to which is Euribor + 2.90% (subordinated to the payment of interest and principal under the senior financing contract). Annual repayments will be made of a maximum of 3.1% of the active balance of the subordinated financing contract (repayments subordinated to payment of service of the debt under the senior financing contract) with the remained repaid on the due date.

Without prejudice to the “without recourse to FCC” nature of the debt of the Cementos Portland Valderrivas subgroup, a support contract has been entered into between FCC S.A. and Cementos Portland Valderrivas S.A., under which FCC S.A. undertakes to make a contribution of treasury funds up to a maximum of EUR 100 million if certain eventualities related to the DFB/EBITDA ratio occur.

Moreover, FCC S.A., pursuant to the syndicated financing contract, has undertaken to capitalise the full sum of the subordinated loans arranged with Cementos Portland Valderrivas within 12 months following the effective date of that contract (1 August 2016), via the corresponding capital increase. The total of these loans as at 31 December 2016 is EUR 423.3 million.

3. **Limited-recourse project finance loans:** comprising all the financing guaranteed solely by the project itself and by its cash generation capacity, which will support all the debt service payments and which will not be guaranteed by the Parent Fomento de Construcciones y Contratas, S.A. or any other FCC Group company under any circumstances.

- On 22 January 2014, Azincourt Investment, S.L. (a wholly-owned investee of FCC, S.A. that owns all the shares of FCC Environment UK, formerly WRG) refinanced a syndicated loan without recourse to FCC, S.A., which was arranged in 2006 upon the acquisition of WRG and which matured on 31 December 2013. The refinancing was structured as a new syndicated loan of GBP 381 million, without recourse to FCC, S.A., from the same financial institutions, maturing on 31 December 2017, with the possibility of extending the maturity date by one year if certain conditions are met. As these conditions were indeed met, the final due date will be 31 December 2018.

The aforementioned Financing Agreement entered into with the banks, included the contribution of GBP 80 million by FCC, S.A. to Azincourt Investment, S.L. as a capital increase through a monetary contribution.

Also, FCC Environment UK arranged a new GBP 30 million working capital facility not made available with most of the banks in the syndicate of Azincourt Investment, S.L.'s debt, and a factoring facility to discount trade receivables for the same amount as the working capital facility, which it is intended to renew during the first quarter of 2017.

The obligations acquired by FCC vis-à-vis the lending banks of Azincourt, under the loan agreement and the "Topco Deed of Undertaking" entered into on 22 January 2014, included the obligation to use 10% of the proceeds from any capital increase performed by FCC to repay the debt of Azincourt to the financing banks. The maximum amount corresponding to the 10% obligation was EUR 100 million.

In compliance with this obligation, at 31 December 2014 the equivalent in pounds sterling of the EUR 100 million obtained from the capital increase at FCC S.A. (GBP 78,494 thousand), was allocated to debt repayments.

Following the aforementioned repayment of EUR 100 million and the sale of an asset, the amount of the loan was reduced at 30 June 2015 to GBP 300.25 million.

In addition, on 29 July 2016 the company decided to repay GBP 30 million of the syndicated debt, making the nominal sum of the syndicated debt after this repayment, as at 31 December 2016, GBP 270.2, distributed over the following tranches:

- Tranche A amounts to GBP 89.18 million. The borrowing costs associated with this tranche are as follows: LIBOR + 325 bps in 2016 and LIBOR + 400 bps in the remaining years.
- Tranche B, for GBP 181.07 million, with borrowing costs of LIBOR + 105 bps until 2016 (inclusive), LIBOR + 180 bps in 2017 and LIBOR + 255 bps in 2018.

The remaining limited recourse project finance debt up to the total EUR 451,399 thousand corresponds mainly to the debt of the companies composing the FCC Group in United Kingdom.

The debt from the Buckinghamshire project, which as at 31 December 2015 stood at GBP 158.6 million, was repaid at the end of the second quarter in 2016 (Notes 11 and 22).

Moreover, in October 2016, FCC Environment entered into a contract for GBP 142 million to design, finance, build and operate the Millerhill RERC in Midlothian, on the outskirts of Edinburgh. The agreement plans for a completion time of 30 months, with commissioning scheduled for 2019 and operation for a subsequent period of 25 years.

- Other debts with limited recourse for financing projects include the debt of Aquajerez S.L., which stood at EUR 39.7 million as at 31 December 2016. This company's debt was refinanced in 2016, repaying the loan granted plus interest to TCI for EUR 37.35 million, plus paying EUR 2.38 million in interest on participations to shareholders.

The new financing arranged on 21 July 2016 totals EUR 40 million, with a 15-year term and six-monthly repayments commencing in January 2017. This financing is associated with compulsory interest-rate cover for 15 years on 70% of the nominal sum, as mentioned in Note 23 on derivative financial instruments.

As at 31 December 2016 all the financial ratios have been met.

The detail of the bank borrowings, by currency and amounts drawn down at 31 December 2016 and 2015, is as follows:

	Euros	US dollar	Pound sterling	Czech koruna	Other	Total
2016						
Credit facilities and loans	3,326,618	7,603	—	—	193	3,334,414
Borrowings without recourse to the Parent	528,597	—	—	—	60	528,657
Limited recourse project financing loans	184,220	—	451,399	4,414	33,032	673,065
	4,039,435	7,603	451,399	4,414	33,285	4,536,136
2015						
Credit facilities and loans	3,810,091	10,053	—	—	12,404	3,832,548
Borrowings without recourse to the Parent	836,578	—	—	—	158	836,736
Limited recourse project financing loans	136,611	—	804,189	7,683	29,917	978,400
	4,783,280	10,053	804,189	7,683	42,479	5,647,684

The credit facilities and loans denominated in US dollars are being used mainly to finance companies in Central America in the Construction Area; those arranged in pounds sterling fund assets of the FCC Environment Group in the UK; and those arranged in Czech koruna are being used to finance the operations of ASA Group in the Czech Republic.

c) Other non-current financial liabilities s

	2016	2015
Non-current		
Obligations under finance leases	27,449	38,352
Financial borrowings - non-Group third parties	115,497	158,818
Liabilities relating to financial derivatives	35,206	35,608
Guarantees and deposits received	32,485	31,102
Other	7,635	6,933
	218,272	270,813

"Liabilities Relating to Financial Derivatives" includes mainly financial derivatives designated as hedging instruments, basically interest rate swaps (Note 23).

d) Other current financial liabilities

	2016	2015
Current		
Obligations under finance leases	21,979	23,794
Active dividend due	1,484	1,065
Financial borrowings - non-Group third parties	52,681	57,612
Payable to non-current asset suppliers and notes payable	23,299	50,650
Payable to associates and joint ventures	8,225	26,278
Payments pending called on holdings in associates	—	32,880
Liabilities relating to financial derivatives	5,874	8,640
Deposits received	51,911	2,171
Other	286	(1,903)
	165,739	201,187

It should be noted in relation to "Liabilities Relating to Financial Derivatives", the detail of which is provided in Note 23 "Derivative Financial Instruments", that the balance for 2016 relates in full to the measurement of financial derivatives designated as hedging instruments, mainly interest rate swaps.

The increase under "Deposits received" is due to the receipt of the advance of EUR 48,396 thousand under the agreement to sell shares representing 85% of the capital of the company Concesionaria Túnel de Coatzacoalcos (Note 5).

e) Repayment schedule

The repayment schedule for the bank borrowings, debt instruments and other marketable securities and other non-current financial liabilities is as follows:

	2018	2019	2020	2021	2022 and subsequent years	Total
2016						
Debt instruments and other marketable securities	—	—	32,200	—	197,432	229,632
Non-current bank borrowings	3,497,371	89,692	99,330	311,997	212,994	4,211,384
Other financial liabilities	88,893	16,076	12,597	18,883	81,823	218,272
	3,586,264	105,768	144,127	330,880	492,249	4,659,288

21. OTHER NON-CURRENT LIABILITIES

The detail at 31 December 2016 and 2015 is as follows:

	2016	2015
Public Administrations - long-term deferrals	—	26,267
Other non-current liabilities	174,946	30,838
	174,946	57,105

The increase under "Other non-current liabilities" is mostly due to the receipt of the intangible part, in accordance with the terms of the contract, of the Buckinghamshire plant to the value of EUR 156,227 thousand (Note 11).

22. TRADE AND OTHER PAYABLES

The detail of "Trade and Other Payables" in the consolidated balance sheets as at 31 December 2016 and 2015 is as follows:

	2016	2015
Payable to suppliers	1,077,171	1,244,010
Current tax liabilities (Note 24)	6,310	11,113
Public Authorities - deferrals (Note 24)	6,768	108,946
Other accounts payable to Public Authorities (Note 24)	274,932	325,247
Customer advances (Note 16)	709,704	729,067
Remuneration payable	72,194	73,625
Other payables	379,208	425,012
	2,526,287	2,917,020

In relation to the Resolution issued by the Spanish Accounting and Audit Institute (ICAC) on 29 January 2016 implementing Additional Provision Two of Law 31/2014, of 3 December, which amends Additional

Provision Three of Law 15/2010, of 5 July, on combating late payment in commercial transactions, it should be noted with respect to 2016 that in Spain the Group operates mainly with public-sector customers such as the State, Autonomous Communities, Local Corporations and other public bodies which take longer to settle their payment obligations than the periods established in Public Sector Contract Legislation and in Law 3/2004, of 29 December, on combating late payment in commercial transactions.

It is also important to Note that the provisions of Article 228.5 of the current Consolidated Text of the Public Sector Contract Law ("TRLCSP") were applied to work and supplies arising from agreements entered into by the Group with the various Public Authorities.

Due to this situation, in order to adapt the Group's financial policy to reasonable levels of efficiency, the usual payment periods to the suppliers in the sectors in which the Group operates were maintained throughout 2016.

The Group's supplier payment policy described in the two preceding paragraphs is thus supported by a) payments to suppliers under agreements entered into by the Group with the Public Authorities in accordance with the requirements of Article 228.5 of the TRLCSP; and b) payments to other suppliers, in Transitional Provision Two of Law 15/2010 and, where applicable, the provisions of Article 9 of Law 3/2004, which does not consider "*payment deferral due to objective reasons*" to be abusive, taking into consideration in both case a) and case b) the usual payment period in the business sectors in which the Group operates.

Furthermore, the Group acknowledges and pays suppliers, always by mutual agreement, the late-payment interest agreed in the agreements and provides them with negotiable payment methods associated with actions for collection of a bill of exchange. Such agreements, which are expressly provided for in the TRLCSP, as described above, are also allowed by Directive 2011/7/EU of 16 February, of the European Parliament and of the Council.

In addition, the Group has entered into reverse factoring and similar agreements with various financial entities in order to facilitate early payment to its suppliers, under which the supplier may exercise its collection right with the Group companies or entities, obtaining the amount billed less the finance costs of discounting and fees applied by the aforementioned entities and, in some cases, amounts retained as security. The facilities arranged total EUR 151,280 thousand, against which EUR 37,561 thousand had been drawn down at 31 December 2016. The aforementioned agreements do not modify the main payment conditions contained therein (interest rate, term or amount) and, therefore, they remain classified as trade payables.

In compliance with the aforementioned Resolution, the following table provides information on the average period of payment to suppliers of the entities located in Spain, for those commercial transactions which have accrued since the date of entry into force of the aforementioned Law 31/2014, i.e. 24 December 2014.

	2016	2015
	Days	Days
Average period of payment to suppliers	116	99
Ratio of transactions settled	111	87
Ratio of transactions not yet settled	133	120
	Amount	Amount
Total payments made	1,316,046	1,023,230
Total payments outstanding	358,007	558,274

23. DERIVATIVE FINANCIAL INSTRUMENTS

In general, the financial derivatives arranged by the FCC Group are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in Note 3-p to these consolidated financial statements, i.e. they are transactions that hedge actual positions.

The main financial risk hedged by the FCC Group using derivative instruments relates to fluctuations in the floating interest rates to which the Group companies' financing is tied.

At 31 December 2016, the FCC Group had arranged, at its fully consolidated companies, hedging transactions with derivative instruments totalling EUR 530,317 thousand (31 December 2015: EUR 549,581 thousand) mainly in the form of IRSs in which the Group companies pay fixed rates and receive floating rates.

The detail of the hedges and their fair value for the fully consolidated companies is as follows:

	Type of derivative	Type of hedge	% hedged	Notional amount at 31/12/16	Notional amount at 31/12/15	Fair value at 31/12/16	Fair value at 31/12/15	Expiry
Fully consolidated companies								
Fomento de Construcciones y Contratas, S.A.	IRS	FE	38%	7,836	8,376	(1,138)	(1,192)	02/04/2024
	IRS	FE	19%	3,918	4,188	(569)	(596)	02/04/2024
	IRS	FE	12%	2,511	2,684	(365)	(382)	02/04/2024
	IRS	FE	11%	2,212	2,364	(321)	(337)	02/04/2024
Azincoart Investment, S.L.	Option	FE	67%	296,742	346,157	2	281	29/12/2017
RE3 Ltd.	IRS	FE	82%	27,102	33,162	(6,258)	(6,287)	30/09/2029
Kent	IRS	FE	37%	32,442	42,695	(6,695)	(7,252)	31/03/2027
	IRS	FE	16%	13,904	18,298	(2,873)	(3,116)	31/03/2027
	IRS	FE	27%	23,173	30,497	(4,776)	(5,184)	31/03/2027
FCC Wrexham PFI Ltd.	IRS	FE	100%	22,829	27,800	(6,729)	(6,658)	30/09/2032
FCC Wrexham PFI (Phase II) Ltd.	IRS	FE	50%	9,581	—	(928)	—	30/09/2032
	IRS	FE	50%	9,581	—	(959)	—	30/09/2032
FCC (E&M) Ltd.	IRS	FE	50%	89	—	121	—	06/05/2020
	IRS	FE	50%	89	—	109	—	06/05/2020
	IRS	FE	50%	4,218	—	669	—	06/05/2042
	IRS	FE	50%	4,218	—	98	—	06/05/2042
FCC (E&M) Ltd.	Currency forward	FE	50%	14,726	—	(1,201)	—	07/05/2019
	Currency forward	FE	50%	14,726	—	(1,181)	—	07/05/2019
FCC Buckinghamshire PFI Ltd.	Currency forward	FE	—	—	6,332	—	(703)	29/01/2016
	Currency forward	FE	—	—	6,332	—	(703)	29/01/2016
Depurplan 11, S.A.	IRS	FE	—	—	5,641	—	(1,154)	01/12/2025
Ecodeal-Gestao Integral de Residuos Industriais, S.A.	IRS	FE	80%	1,792	3,552	(57)	(185)	15/12/2017
Integraciones Ambientales de Cantabria, S.A.	IRS	FE	75%	10,628	11,503	(1,138)	(1,342)	31/12/2022
Aquajerez	IRS	FE	70%	28,000	—	165	—	15/07/2031
Total fully consolidated companies				530,317	549,581	(34,024)	(34,810)	

The detail, by expiry date, of the notional amount of the hedging transactions arranged at 31 December 2016 and broken down in the above table:

	2017	2018	2019	2020	2021 and subsequent years
Fully consolidated companies	287,787	(33,193)	(7,113)	60,150	222,689

The instruments of FCC (E&M) Ltd. due in 2020 and 2042 are accreting swaps. These are interest-rate instruments intended to cover a loan for which the nominal is made available over the course of the loan, specifically 2017–2019.

As the sum due for other derivatives in 2018 and 2019 is less than the increase of the notional sum of the accreting swaps, the summary of the notional sums due is reversed in 2018 and 2019.

At 31 December 2016, the total of the hedges of the companies accounted for using the equity method amounted to EUR 771,514 thousand (31 December 2015: EUR 804,965 thousand) and their fair value amounted to EUR (219,854) thousand (31 December 2015: EUR (219,179) thousand).

The detail of the financial derivatives arranged companies by global integration have contracted hedging purposes, but which do not qualify for hedge accounting, is as follows:

The detail of the financial derivatives arranged by the fully consolidated companies for hedging purposes, but which do not qualify for hedge accounting, is as follows:

Fully consolidated companies	Type of derivative	Type of hedge	Notional amount at 31/12/16	Notional amount at 31/12/15	Fair value at 31/12/16	Fair value at 31/12/15	Expiry
.A.S.A. Abfall Service Zistersdorf GmbH	COLLAR	ESP	38,667	44,000	(5,862)	(7,015)	28/03/2024
.A.S.A. International	FX SWAP	ESP	297	—	(1)	—	15/01/2017
	FX SWAP	ESP	1,851	—	(11)	—	15/01/2017
FCC Wrexham PFI (Phase II) Ltd.	IRS	FE	—	11,666	—	(561)	30/09/2032
	IRS	FE	—	11,666	—	(601)	30/09/2032
FCC Buckinghamshire PFI Ltd	IRS	FE	—	46,882	—	(116)	29/04/2016
	IRS	FE	—	46,882	—	(116)	29/04/2016
	IRS	FE	—	46,882	—	(116)	29/04/2016
	IRS	FE	—	46,882	—	(116)	29/04/2016
	IRS	FE	—	46,882	—	(116)	29/04/2016
Total fully consolidated companies			40,815	301,742	(5,874)	(8,757)	

Following is a detail, by expiry, of the notional amount of the derivatives that do not qualify for hedge accounting:

	Notional expiry				2021 and subsequent years
	2017	2018	2019	2020	
Fully consolidated companies	7,481	5,333	5,333	5,333	17,333

24. TAX MATTERS

This Note describes the headings in the accompanying consolidated balance sheet and consolidated statement of profit or loss relating to the tax obligations of each of the Group companies, such as deferred tax assets and liabilities, tax receivables and payables and the income tax expense.

Under authorisation 18/89, the Parent of the FCC Group files consolidated income tax returns with all the other Group companies that meet the requirements established by tax legislation. The subsidiaries that carry on the Environmental Services activity in the UK also file consolidated tax returns.

Fomento de Construcciones y Contratas, S.A. has all the years not yet statute-barred open for review by the Tax Authorities for the taxes applicable to it. On 8 June 2015, the State Tax Agency's Department of Tax and Customs Control served notice of the commencement of a tax audit for income tax (periods from 01/2010 to 12/2013) and VAT (periods from 01/2012 to 12/2013) and with regard to withholdings for personal income tax for the periods between April 2011 and December 2013. With respect to income tax, the audit will be conducted on all the 18/89 tax group, whereas the audit for VAT affects the Parent, Fomento de Construcciones y Contratas, S.A., and certain subsidiaries. Finally, the inspection in respect of withholdings for personal income tax affects FCC Industrial e Infraestructuras Energéticas S.A.U. In view of the criteria that the tax authorities might adopt in the interpretation of the tax legislation, the outcome of the tax audits currently under way and the tax audits of the open years that could be conducted by the Tax Authorities in the future could give rise to tax liabilities which cannot be objectively quantified at the present time. However, Group management considers that any liabilities that might arise in connection with the years open for review would not significantly affect the Group's equity.

With respect to the years audited, it should be noted that the Group has not been issued tax assessments for significant amounts in the last four years and has filed the corresponding appeals, unless it has signed assessments on an uncontested basis.

a) Deferred tax assets and liabilities

The deferred tax assets arise mainly as a result of provisions and impairment and other losses recognised on assets classified as held for sale, the deconsolidation of Alpine, non-deductible borrowing costs that will become deductible from the income tax base in future years and differences between depreciation and amortisation for accounting and tax purposes. In general, each year the Group companies take the tax credits provided for under tax legislation and, therefore, the deferred tax assets do not include any material tax credit carryforwards.

Group management evaluated the recoverability of the deferred tax assets by estimating the future tax bases corresponding to Spanish tax group 18/89 and concluded that there were no doubts as to their recovery through the generation of future taxable profits.

The estimates used to assess the recoverability of deferred-tax assets are based on the estimate of future taxable sums, beginning with the estimated "Consolidated Book Profit (Loss) Before Tax for the Year from Continued Operations" and adjusting the corresponding permanent and temporary differences that are expected to occur in each year. Forecasts show an improvement in profits, as a result of maintaining in place the steps taken to cut costs and strengthening the Group's financial structure by means of the two capital increases effected by the Group's parent, Fomento de Construcciones y Contratas, which have enabled the Group's financial debt to be reduced and its financial liabilities to be restructured, resulting in significant cost reductions.

All of the foregoing will make it possible to improve earnings and to obtain sufficient taxable profits to absorb both the tax losses recognised in the consolidated balance sheet and the deferred tax assets in an estimated period of around fifteen years.

The tax losses of the subsidiaries were generally offset by deducting from the income tax the investment valuation allowances recognised by the Group companies owning the holding, or by deducting these losses from the consolidated tax base in the case of subsidiaries that file consolidated tax returns. However, certain companies and tax group 18/89 recognised deferred tax assets relating to tax losses and deductions pending application amounting to EUR 146,182 thousand (31 December 2015: EUR 154,440 thousand), since they considered that there are no doubts as to their recoverability.

Deferred tax liabilities arose mainly as a result of:

- The differences between the tax base and the carrying amount resulting from the recognition of assets at fair value in connection with the corporate acquisitions in the FCC Group's various business segments, as indicated in Note 3.b. In general, these liabilities do not represent future cash outflows since they reverse at the same rate as that of the depreciation taken on the revalued assets.
- The depreciation for tax purposes of leased assets and of certain items of property, plant and equipment qualifying for accelerated depreciation for tax purposes, and the accelerated depreciation of the investments made, enabling them to be depreciated in full provided that certain requirements are met.
- The profit of joint ventures that will be included in the income tax base for the following year.
- The deductibility for tax purposes of the goodwill arising on the acquisition of non-resident companies prior to 2008.

In 2016 an increase of EUR 24,464 thousand (31 December 2015: decrease of EUR 7,712 thousand) arising from the tax effect of translation differences and the adjustment of the fair value of financial instruments was recognised in equity under "Valuation Adjustments" and "Non-Controlling Interests" with a balancing entry in the related deferred tax accounts.

The detail of the main deferred tax assets and liabilities is as follows:

Deferred tax assets	2016	2015
Provisions and impairment losses	416,482	427,108
Tax loss carryforwards	146,182	154,440
Non-deductible finance costs	154,883	126,721
Deferred tax assets arising on translation differences	71,681	53,068
Pension plans	793	41,260
Differences between depreciation and amortisation for accounting and tax purposes	27,531	32,835
Other	129,068	196,362
Total	946,624	1,031,794

Deferred tax liabilities	2016	2015
Differences arising from recognition of assets at acquisition-date fair value (IFRS 3)	163,110	186,024
Accelerated depreciation and amortisation	56,525	53,474
Profit (Loss) of unincorporated temporary joint ventures (UTEs)	24,019	32,425
Non-deductible impairment of goodwill	30,408	25,753
Deferred tax asset arising from translation differences	26,712	12,120
Finance leases	6,878	8,267
Other	52,695	161,485
	360,347	479,548

The main variation compared with 2015 for deferred-tax liabilities is due to the consolidation method of the Giant subgroup (Notes 5, 12 and 27), which as at 31 December 2015 stood at EUR 93,503 thousand.

With regard to the tax reversion of the impairment of securities representing certain holdings in the capital of companies (Royal Legislative Decree 3/2016), which were considered to be deductible prior to 2014 and that the legislation cited requires to be returned within five years, the Group has recorded at the end of 2016 a Corporation Tax expense of EUR 5,698 thousand, of which EUR 4,558 thousand corresponds to four fifth of the sum to be returned, recorded as deferred tax.

Following is a detail of the expected reversal dates of the deferred tax assets and liabilities:

	2017	2018	2019	2020	2021 and subsequent years	Total
Assets	96,533	47,494	32,202	27,064	743,331	946,624
Liabilities	74,462	19,152	18,670	14,051	243,012	360,347

The Group has tax loss carryforwards amounting to EUR 203.4 million that were not recognised in the financial statements in accordance with the accounting principle of prudence. The estimated expiry of the unrecognised tax loss carryforwards is as follows:

Expiry schedule	Tax assets (in millions of euros)
2017 to 2021	64.8
2022 to 2026	11.6
2027 and subsequent years	85.8
Unlimited	41.2
	203.4

Furthermore, the Group has unrecognised tax assets relating to reported, unused tax credits, totalling EUR 11.5 million.

The Group also has unrecognised tax assets amounting to EUR 325.0 million relating to the impairment loss recognised by Fomento de Construcciones, S.A. in prior years on its ownership interest in Azincourt, S.L., a holding company which holds the shares of the British company FCC Environment (UK). The amount of the impairment recognised, which was deemed to be non-deductible for income tax purposes, amounts to EUR 1,300.1 million. This amount might be deductible for income tax purposes in the future in the event of the winding-up of the company Azincourt Investment S.L.

b) Current tax receivables and payables

The detail at 31 December 2016 and 2015 of the current tax assets and liabilities is as follows:

Current assets

	2016	2015
VAT refundable (Note 16)	93,165	94,564
Current tax (Note 16)	6,099	31,564
Other taxes (Note 16)	49,313	49,496
	148,577	175,624

Current liabilities

	2016	2015
VAT payable (Note 22)	74,302	95,995
Current tax (Note 22)	6,310	11,113
Accrued social security and other taxes payable (Note 22)	200,630	229,252
Deferrals (Note 22)	6,768	108,946
	288,010	445,306

c) **Income tax expense**

The income tax expense accrued in 2016 amounted to EUR 34,981 thousand (2015: income of EUR 40,846 thousand), as shown in the accompanying consolidated statement of profit or loss. The reconciliation of the tax benefit to the accrued tax charge is as follows:

	2016		2015	
Consolidated profit (loss) for the year before tax from continuing operations		(161,211)		(5,701)
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Permanent differences	492,280	(131,978)	154,066	(58,793)
Adjusted consolidated accounting profit (loss) from continuing operations		199,091		89,572
Temporary differences				
- Arising in the year	201,844	(156,446)	200,501	(108,662)
- Arising in prior years	142,046	(181,013)	167,685	(162,793)
Income and expense recognised directly in equity		—		(68)
Consolidated taxable profit (tax loss) from continuing operations		205,562		186,235

With respect to the table above, in light of the significance of the amounts, it is important to Note that the income tax base is the best estimate available at the date of preparation of these consolidated financial statements. The definitive amount payable will be calculated on settlement of the tax in 2017 and, accordingly, the final settlement may vary on the basis of any adjustments made for temporary differences until that time, as explained in Note 3-q to these consolidated financial statements.

In 2016 the increases under “Permanent differences” mostly include non-deductible losses for impairment of goodwill totalling EUR 317,846 thousand (Notes 7 and 27) and non-activated losses of the Giant subgroup until the loss of control totalling EUR 68,629 thousand. The reductions under this same heading include the profit for recognition at fair value of the share withheld following the capital increase at that subgroup of EUR 54,323 thousand (Notes 5, 12 and 27).

The reconciliation of the income tax expense is as follows:

	2016	2015
Adjusted consolidated accounting profit (loss) from continuing operations	199,091	89,572
Income tax charge	(43,673)	(11,208)
Tax credits and tax relief	3,336	(1,565)
Adjustments due to change in tax rate	124	(10,724)
Other adjustments	5,232	64,343
Income tax	(34,981)	40,846

“Other Adjustments” in the foregoing table, includes the impact of the application of the aforementioned Royal Legislative Decree 3/2016, resulting in an expense for Corporation Tax of EUR 14,495 thousand being recorded, as a result of the reversion of deferred taxes related to the non-deductible impairment of holdings and impairment of orders considered to be deductible prior to 2013 but that the legislation cited now requires to be returned within five years. In 2015 income is mostly recorded totalling EUR 79,483 thousand in relation to the reversal of deferred tax liabilities relating to Azincourt Investment, S.L. The aforementioned company was initially incorporated in Spain and up to 2012 formed part of the Spanish consolidated tax group. At the end of 2013 it transferred its effective headquarters and, consequently, its tax domicile to the UK. Accordingly, it ceased to form part of the aforementioned tax group. The Group decided to submit a request for a ruling to the Spanish Directorate-General of Taxes in relation to the treatment of a deferred tax liability recognised at the aforementioned company in connection with losses arising from exchange rate differences. Once it had received the ruling requested, it was deemed that as a result of the company's exclusion from the Spanish tax jurisdiction a deferred tax liability had arisen.

The main components of income tax, making a distinction between current tax, i.e. the income taxes payable (recoverable) in respect of taxable profit (tax loss) for the year, and deferred tax, which is the impact on profit or loss of the origination or reversal of temporary differences that affect the amount of the deferred tax assets and liabilities recognised in the consolidated balance sheet, is as follows:

	2016	2015
Current tax	(42,012)	(50,221)
Deferred tax	6,907	101,791
Adjustments due to change in tax rate	124	(10,724)
Income tax	(34,981)	40,846

In 2015 the “Adjustments Due to Change in Tax Rate” are a result mainly, on the one hand, of the reduction in the Spanish income tax rate from the previous rate of 30% to 28% in 2015 and 25% in 2016, which in 2014 led to the adjustment of the deferred tax assets and liabilities for which the timing of their reversal was estimated, which was readjusted in 2015 and gave rise to an expense at 31 December 2015 of EUR 14,191 thousand. On the other hand, the UK reduced its tax rate in 2014 from the previously applicable rate of 23% to 21% and in 2015 a further reduction of the tax rate to 20% took place, which resulted in the recording of income of EUR 3,467 thousand at 31 December 2015, a consequence mainly of the reversal of deferred tax liabilities recognised on acquisition of the FCC Environment (UK) subgroup, as its assets were recognised at fair value, as established in IFRS 3 (Note 3.b).

25. PENSION PLANS AND SIMILAR OBLIGATIONS

In general, the Spanish Group companies have not established any pension plans to supplement the social security pension benefits. However, pursuant to the Consolidated Text of the Pension Fund and Plan Law, in the specific cases in which similar obligations exist, the companies externalise their pension commitments and other similar obligations to employees.

In addition, following authorisation by the Executive Committee, in the past the Parent arranged an insurance policy and paid the premium to cover the payment of benefits relating to death, permanent labour disability, retirement bonuses and pensions and other situations for, among other employees, certain Executive Directors and Executives. In particular, the contingencies giving rise to benefits are those which entail the extinguishment of the employment relationship for any of the following reasons:

- a) Unilateral decision of the Company.
- b) Dissolution or disappearance of the Parent for whatever cause, including merger or spin-off.
- c) Death or permanent disability.
- d) Other causes of physical or legal incapacity.
- e) Substantial change in professional terms and conditions.
- f) Resignation of the Executive on reaching 60 years of age, at the request of the Executive and with the consent of the Company.
- g) Resignation of the Executive on reaching 65 years of age, by unilateral decision of the Executive.

In 2016 no income or expenses were recognised in this connection. At 31 December 2016, the fair value of the contributed premiums covered all of the actuarial obligations assumed.

The liability side of the accompanying consolidated balance sheet for 2016 includes the present value, totalling EUR 2,642 thousand (2015: EUR 2,716 thousand), of the amounts payable in relation to the Spanish Group companies' post-employment benefit obligations to former Executives. Also, remuneration amounting to EUR 221 thousand in 2016 was paid with a charge to this provision (2015: EUR 221 thousand).

Furthermore, for the purposes of setting up an economic fund to compensate the Senior Executive/CEO and Director for the termination of his contract, the Company has set up a savings fund for his benefit, funded by annual contributions made by Fomento de Construcciones y Contratas S.A. If the current contractual relationship is terminated during the first three years of the term of this contract on any grounds other than the director's resignation, objective dismissal or disciplinary dismissal, the director will accrue the right to receive such sum as may be held in the savings fund on the effective date of termination of his contract. If termination occurs later than three years after the date of this contract, the director will accrue the right to receive such sum as may be held in the savings fund on the effective date of termination of his contract, except in cases of objective or disciplinary dismissal. This payment will compensate the executive for the termination of his contract, including compensatory nature, consisting of the compensation provided for under clause 11 of his contract and replacing any other compensation that might be derived from the termination of the contractual relationship. The payment is to be made by the Company within two months following the termination of the contractual relationship. The contributions for this item in EUR 2016 totalled 202 thousand (zero in 2015).

Certain of the Group's foreign subsidiaries have undertaken to supplement the retirement benefits and other similar obligations accruing to their employees. The accrued obligations and, where appropriate, the related plan assets were measured by independent actuarial experts using generally accepted actuarial methods and techniques and the related amounts are recognised under "Long-Term Provisions – Long-Term Employee Benefit Obligations" in the accompanying consolidated balance sheet, in accordance with IFRSs (Note 19).

The main benefits referred to in the preceding paragraph are as follows:

- The accompanying consolidated balance sheet as at 31 December 2016 includes the employee benefit obligations of the FCC Environment (UK) Group companies resident in the UK. These obligations are represented by certain assets assigned to the plans funding the benefits, the fair value of which amounted to EUR 52,978 thousand (31 December 2015: EUR 54,338 thousand), and the actuarial value of the accrued obligations amounted to EUR 60,174 thousand (31 December 2015: EUR 58,067 thousand). The net difference, representing a liability of EUR 7,196 thousand (31 December 2015: EUR 3,729 thousand), was recognised under “Long-Term Provisions” in the accompanying consolidated balance sheet. “Staff Costs” in the accompanying consolidated statement of profit or loss includes a cost of EUR 540 thousand (31 December 2015: EUR 628 thousand) relating to the net difference between the service cost and the return on the plan assets. The average actuarial rate applied was 2.7% (2015: 3.8%).
- The accompanying consolidated balance sheet as at 31 December 2016 includes the employee benefit obligations of Telford & Wrekin Services, Ltd., resident in the UK. These obligations are represented by certain assets assigned to the plans funding the benefits, the fair value of which amounted to EUR 26,385 thousand (31 December 2015: EUR 28,078 thousand), and the actuarial value of the accrued obligations amounted to EUR 33,532 thousand (31 December 2015: EUR 31,407 thousand). The net difference, representing a liability of EUR 7,147 thousand (31 December 2015: EUR 3,329 thousand), was recognised under “Long-Term Provisions” in the accompanying consolidated balance sheet.
- Giant Cement Holding, Inc., a US resident company, has undertaken to supplement the retirement benefits of its employees. In 2016 control of this company was lost and it began to be consolidated by the equity method (Notes 5 and 12). At 31 December 2015, the fair value of the plan assets amounted to EUR 49,295 thousand and the actuarial value of the obligations for benefits earned amounted to EUR 73,452 thousand. Also, this company has undertaken to continue to pay for the healthcare and life insurance of certain employees after termination of their employment, amounting to EUR 36,399 thousand at 31 December 2015.

The detail of the changes in 2016 in the obligations and assets associated with the pension plans and similar obligations is as follows:

2016

Actual evolution of the present value of the obligation

	FCC Environment (UK) Group	Telford & Wrekin Services
Balance of obligations at beginning of year	58,067	31,407
Current service cost	197	348
Interest cost	1,866	1,011
Contributions by participants	18	92
Actuarial gains/losses	11,518	5,915
Changes due to exchange rate	(8,289)	(4,483)
Benefits paid in 2016	(3,321)	—
Cost of past services	118	—
Settlements	—	(758)
Balance of obligations at end of year	60,174	33,532

Actual evolution of the fair value of the plan assets

	FCC Environment (UK) Group	Telford & Wrekin Services
Balance of plan assets at beginning of year	54,338	28,078
Expected return on assets	1,758	912
Actuarial gains/losses	6,698	1,514
Changes due to exchange rate	(7,757)	(4,008)
Contributions by the employer	1,383	562
Contributions by participants	18	92
Benefits paid	(3,460)	(765)
Balance of plan assets at end of year	52,978	26,385

Reconciliation of the actual evolution of the obligation less the plan assets to the balance effectively recognised in the balance sheet

	FCC Environment (UK) Group	Telford & Wrekin Services
Net balance of obligations less plan assets at end of year	7,196	7,147

2015

Actual evolution of the present value of the obligation

	FCC Environment (UK) Group	Telford & Wrekin Services	Giant
Balance of obligations at beginning of year	55,221	28,029	114,378
Current service cost	334	431	543
Interest cost	2,253	1,144	4,970
Changes in the plan	—	—	(6,647)
Contributions by participants	20	113	107
Actuarial gains/losses	(1,662)	774	(9,608)
Changes due to exchange rate	3,381	1,716	13,011
Benefits paid in 2015	(1,480)	(800)	(6,903)
Balance of obligations at end of year	58,067	31,407	109,851

Actual evolution of the fair value of the plan assets

	FCC Environment (UK) Group	Telford & Wrekin Services	Giant
Balance of plan assets at beginning of year	49,855	25,399	46,650
Expected return on assets	2,048	1,051	17
Actuarial gains/losses	(583)	139	—
Changes due to exchange rate	3,052	1,555	5,319
Contributions by the employer	1,556	621	4,105
Contributions by participants	21	113	107
Benefits paid	(1,480)	(800)	(6,903)
Settlements	(131)	—	—
Balance of plan assets at end of year	54,338	28,078	49,295

Reconciliation of the actual evolution of the obligation less the plan assets to the balance effectively recognised in the balance sheet

	FCC Environment (UK) Group	Telford & Wrekin Services	Giant
Net balance of obligations less plan assets at end of year	3,729	3,329	60,556

26. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2016, the Group had incurred contingent liabilities of EUR 4,332,937 thousand (31 December 2015: EUR 4,480,614 thousand) representing mainly guarantees to third parties, consisting mostly of completion bonds provided to Government Agencies and private-sector customers as security for the performance of construction projects and urban cleaning contracts.

Fomento de Construcciones y Contratas, S.A. and the Group's subsidiaries are acting as defendants in certain lawsuits in relation to the liability inherent to the various business activities carried on by the Group in the performance of the contracts awarded, for which the related provisions have been recognised (Note 19). The lawsuits, although numerous, represent scanty material amounts when considered individually. Accordingly, on the basis of past experience and the existing provisions, the resulting liabilities would not have a significant effect on the Group's equity.

With respect to the main contingent liabilities arising from the insolvency proceedings of the Alpine subgroup, it should be noted that the potential financial effects would be the outflow of cash of the amount indicated in the related claims detailed in Note 19 to these financial statements. In relation to the complaints filed on the one hand, by a bondholder against certain directors of Alpine Holding, GmbH, auditors of Alpine their partners and, on the other, a former director of Banco Hypo Alpe Adria, both are cases of complaints filed in the criminal jurisdiction, which are still being investigated and, therefore, the criminal liability (and civil liability that might arise and which is the sole quantifiable liability) prevent the determination of an amount and timing of the potential outflow of benefits until the amount that might arise in connection with the liability can be determined. In turn, the court proceedings brought by the insolvency managers of Alpine Holding GmbH for EUR 186 million are during the evidence-hearing stage and, since they constitute a new procedure, the legal arguments put forward by the parties, and the lack of any clear case law doctrine, it is to be supposed that the such proceedings may reach the Supreme Court, a situation which would give rise to a significant delay in the timing of the court proceedings, which, based on the preliminary estimates of the Group, could go on until 2020. In all cases, the possibility of indemnity payments, except for costs and court costs if our case prospers in court, is remote or practically non-existent.

In addition to the lawsuits related to Alpine, it should be noted that on 15 January 2015 the Competition Section of the Spanish National Markets and Competition Commission issued a resolution in relation to case file S/0429/12 for an alleged infringement of Article 1 of Spanish Competition Law 15/2007. The aforementioned resolution affects various companies and associations in the waste management industry, including FCC and other companies in the FCC Group. The Group filed an appeal for judicial review requesting as a precautionary measure the suspension of the enforcement of the resolution. On 29 April 2015, the Competition Section of the Spanish National Markets and Competition Commission agreed to suspend the enforcement of the resolution without the provision of a guarantee and on 10 September the Group submitted the statement of claim. No provision was recognised to cover the financial consequences of the aforementioned resolution, since it is considered that it is a court proceeding with a right of appeal and in which the definitive penalty to be imposed, where applicable, shall be specified in the decisions to be handed down and, accordingly, there is uncertainty as to the outcome of the aforementioned resolution, which does not allow for a reliable estimate to be made of the potential amount to be paid. The penalty imposed amounts to EUR 16,880 thousand and it is estimated that the

potential cash outflow could be scheduled over a minimum period of two and a half or three years. Given the characteristics of the lawsuit, no indemnity payments will arise under any circumstance. However, the Group estimates that it is not likely that an outflow of resources will take place as a result of the aforementioned action.

The FCC Group and the OHL Group each hold 50% of a consortium in Canada. At the beginning of May 2014 the consortium filed court proceedings at the Courts of Ontario against its customer, the Toronto Transit Commission (TTC), amounting to CAD 205 million (EUR 144.3 million at the exchange rate prevailing at 31 December 2016), for claims, costs incurred by the consortium arising from the poor management of the contract and the indirect costs resulting from the claims. In relation to the proceedings, it is important to indicate that the contract established the impossibility of submitting disputes before the courts until the work had been completed, but, since Ontario's Limitations Act, 2002, indicates that the deadline for the submission of any type of commercial claim expires after two years, on the basis of recommendations of external lawyers, a decision was made to submit it. On 15 August 2014, the customer responded to the action by rejecting the amounts claimed and filing a counter-claim for CAD 37.7 million (EUR 26.5 million at the exchange rate prevailing at 31 December 2016). On 7 November 2014, the consortium submitted their objections to the aforementioned counter-claim. On 19 January 2015, the customer filed a motion to delay the trial arguing that the claim was premature, since the agreement prohibits the initiation of legal actions prior to the completion of the work. The hearing for the motion took place on 21 April 2015. Finally, the court accepted the client's motion and the proceedings were suspended, not to be resumed until the works are completed. Taking this circumstance into account, the court hearing is now expected to take place in the first half of 2019. The Group did not recognise any provisions or impairment losses in this connection, as the amounts claimed were not recognised in its consolidated financial statements.

At 2016 year-end Group management had not approved any restructuring plans.

The Group has other lawsuits and court proceedings underway in addition to those detailed above from which no significant outflows or cash are expected to arise.

In relation to the Group companies' interests in joint operations managed jointly through unincorporated joint ventures, joint property entities, silent participation agreements and other entities of a similar nature, the venturers share joint and several liability with respect to the activity carried on (Note 13).

It should be noted in relation to the guarantees enforced or provided that the FCC Group has not obtained significant assets as a result of guarantees enforced in its favour.

27. INCOME AND EXPENSES

a) Operating income

The Group classifies operating income under “Revenue”, including the interest income earned on the collection rights arising under the financial asset concession model pursuant to IFRIC 12 amounting to 9.600 thousand at 31 December 2016 (31 December 2015: EUR 12,417 thousand), with the exception of the in-house work on non-current assets and other income, such as grants related to income, emission allowances, etc.

Note 28, “Segment Reporting” shows the contribution of the business lines to consolidated revenue.

The detail of “Other Operating Income” in 2016 and 2015 is as follows:

	2016	2015
Income from sundry services	81,060	83,940
CO ₂ emission allowances (Note 29)	—	3,895
Compensation received from insurance companies	5,924	6,595
Grants related to income	11,089	13,520
Other income	77,367	78,027
	175,440	185,977

b) Changes in inventories of finished goods and work in progress

It should be noted that in 2015 “Changes in Inventories of Finished Goods and Work in Progress” included the write-down recognised on inventories amounting to EUR 98,518 thousand, offset in part by the reversal of the provision of EUR 33,750 thousand recognised under “Other Operating Income” as a result of the novation of the construction contract with Atlético de Madrid.

c) Procurements

The detail of “Procurements” at 31 December 2016 and 2015 is as follows:

	2016	2015
Work performed by subcontractors and other companies	1,229,291	1,416,215
Purchases and procurements	916,890	998,938
	2,146,181	2,415,153

d) Staff cost

The detail of “Staff Costs” in 2016 and 2015 is as follows:

	2016	2015
Wages and salaries	1,389,944	1,431,569
Social security costs	393,331	389,427
Other staff costs	38,951	37,630
	1,822,226	1,858,626

The average number of employees at the Group, by professional category, in 2016 and 2015 was as follows:

	2016	2015
Managers and university graduates	1,787	1,844
Professionals with qualifications	4,657	4,793
Clerical and similar staff	3,385	3,623
Other salaried employees	45,775	46,901
	55,604	57,161

The average number of employees at the Group, by gender, in 2016 and 2015 was as follows:

	2016	2015
Men	43,535	45,204
Women	12,069	11,957
	55,604	57,161

e) Impairment and gains or losses on disposals of non-current assets

The detail of "Impairment and Gains or Losses on Disposals of Non-Current Assets" in 2016 and 2015 is as follows:

	2016	2015
Gains or losses on disposals of other items of property plant and equipment and intangible assets	(2,159)	9,633
Impairment of other items of property, plant and equipment and intangible assets (recognition)/reversal (Notes 7 and 8)	(331,578)	(14,448)
Other	52,058	—
	(281,679)	(4,815)

In 2016, this heading included the impairment of goodwill at Cementos Portland Valderrivas totalling EUR 299,955 thousand (Note 7).

The heading "Other items" mostly includes the profit of EUR 54,323 thousand largely resulting from the recording at fair value of the share maintained at Giant after control was lost (Note 5).

The sum under "Profit/(loss) from other tangible and intangible fixed assets" and "Other items" impacts on the enclosed consolidated cash-flow statement under the heading "Other profit and loss adjustments (net)".

f) Other income and expenses

In 2016, this heading includes restructuring costs of EUR 53,400 thousand and a liabilities provision of EUR 10,256 thousand for the fine imposed on Cementos Portland Valderrivas by the National Competition Commission.

2015 included the recognition of provisions for contingencies and charges in the international activity amounting to EUR 26,759 thousand, restructuring costs of EUR 22,319 thousand (Note 19) and the indemnity payment made to the former Second Deputy Chairman and CEO as a result of his replacement amounting to EUR 8,375 thousand.

g) Finance income and costs

The detail of the finance income in 2016 and 2015, based on the assets giving rise to it, is as follows:

	2016	2015
Finance income arising from debt reduction (Note 18)	58,082	—
Held-for-trading financial assets	431	875
Available-for-sale financial assets	526	1,484
Held-to-maturity investments	2,173	3,380
Non-current and current credits	16,191	18,817
“Lump-sum payment” construction projects	1,009	1,193
Cash and cash equivalents and other	11,763	8,344
	90,175	34,093

The detail of the finance costs in 2016 and 2015 is as follows:

	2016	2015
Credit facilities and loans	288,795	329,878
Limited recourse project financing loans	26,941	35,154
Obligations under finance leases	2,466	1,909
Other payables to third parties	34,702	12,541
Assignment of accounts receivable and “lump-sum payment” construction projects	8,049	4,026
Other finance costs	18,286	4,843
	379,239	388,351

In 2016 the above chart includes EUR 34,702 thousand (EUR 12,541 thousand in 2015) under “Other third-party debts” an increase owing to financial costs recorded in 2016 associated with the advance repayment of debts with third parties of Giant Cement Holding Inc. totalling EUR 20,014 thousand.

Also, the item “Credits and loans” has undergone a notable reduction this year, mostly as a result of lower interest rates on third-party debts in the Cement and Corporate divisions. In the latter, the reduction of EUR 13,802 thousand was basically caused by the amortisation of convertible bonds (Note 18) and the repayment of tranche B of the syndicated debt (Note 20). In the cement division, the reduction of EUR 13,803 thousand was caused by the renegotiation of the financing contract, under which the applicable interest rate was reduced (Note 20).

The total sum of financial income and expenditure impacts on the enclosed consolidated cash-flow statement under the heading “Other profit and loss adjustments (net)”.

h) Other net finance costs

The detail of the other net finance costs in 2016 and 2015 is as follows:

	2016	2015
Changes in fair value of current financial instruments	(22,192)	3,487
Exchange rate differences	5,932	(6,666)
Impairment and gains or losses on disposals of financial instruments	(5,942)	(7,445)
	(22,202)	(10,624)

Of Note in 2016 under “Changes in fair value of current financial instruments” is the decrease in the value of the receivable from Globalvia Infraestructuras S.A. of EUR 20,820 thousand (Notes 4, 5 y 14), estimated when the sale was completed.

In 2015 under “Changes in Fair Value of Current Financial Instruments” included the income recognised as a result of the collection of EUR 3,237 thousand relating to a portion of the contingent consideration arising from the sale of the Proactiva subgroup in 2013.

i) Result of companies accounted for using the equity method

The detail of “Result of Companies Accounted for Using the Equity Method” is as follows:

	2016	2015
Profit (Loss) for the year (Note 12)	55,502	36,212
Joint ventures	2,657	10,447
Associates	52,845	25,765
Gains or losses on disposals and other	942	(858)
	56,444	35,354

2016 includes the profit of EUR 31,568 thousand recorded at the Realía Business holding, mostly due to the haircuts granted in the process to refinance its financial debt and the provision of impairment of property inventories. 2015 includes the positive result for the reversion of the loss from impairment at the Realía Business group to the value of EUR 25,711 thousand (Note 12).

28. SEGMENT REPORTING

a) Business segments

The business segments presented coincide with the business areas, as described in Note 1. The segment information shown in the following tables was prepared in accordance with the management criteria established internally by Group management, which coincide with the accounting policies adopted to prepare and present the Group's consolidated financial statements.

The "Corporate" column includes the financial activity relating to the Group's centralised cash management and the operation of the companies that do not belong to any of the Group's business areas mentioned above.

"Eliminations" includes the elimination of inter-segment transactions.

Statement of profit or loss by segment

In particular, the information shown in the following tables includes the following items as the segment result for 2016 and 2015:

- All operating income and expenses of the subsidiaries and jointly managed contracts relating to the business carried on by the segment.
- Interest income and expenses arising from segment assets and liabilities, dividends and gains and losses on sales of the financial investments of the segment.
- Share of the result of companies accounted for using the equity method.
- The income tax expense relating to the transactions performed by each segment.
- The results of discontinued operations.
- The contribution of each area to the equity attributable to the shareholders of Fomento de Construcciones y Contratas, S.A. is shown under "Contribution to FCC Group Profit (Loss)".

	Total Group	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
2016							
Revenue	5,951,591	2,728,066	1,009,815	1,652,596	536,211	61,878	(36,975)
<i>Non-group customers</i>	5,951,591	2,720,929	998,967	1,638,360	531,457	61,878	—
<i>Transactions with other segments</i>	—	7,137	10,848	14,236	4,754	—	(36,975)
Other income	228,370	69,303	43,956	90,268	14,952	45,682	(35,791)
<i>Non-group customers</i>	228,368	68,561	44,195	97,335	14,892	3,385	—
<i>Transactions with other segments</i>	2	742	(239)	(7,067)	60	42,297	(35,791)
Operating expenses	(5,346,255)	(2,358,692)	(822,339)	(1,687,838)	(461,939)	(88,157)	72,710
Depreciation and amortisation charge and allocation to the consolidated statement of profit or loss of grants related to non-financial non-current assets and other grants	(399,312)	(191,354)	(88,005)	(39,895)	(61,211)	(19,473)	626
Other income and expenses	(340,782)	(25,548)	675	(62,501)	(148,415)	(104,993)	—
Profit (Loss) from operations	93,612	221,775	144,102	(47,370)	(120,402)	(105,063)	570
Percentage of revenue	1,57%	8,13%	14,27%	(2,87%)	(22,45%)	(169,79%)	(1,54%)
Finance income and costs	(289,064)	(106,064)	(35,153)	(9,379)	(104,912)	24,507	(58,063)
Other net finance income and costs	(22,202)	643	(8,452)	(4,381)	4,480	(14,207)	(285)
Result of companies accounted for using the equity method	56,444	7,908	10,062	(24,762)	(5,579)	68,800	15
Profit (Loss) before tax from continuing operations	(161,210)	124,262	110,559	(85,892)	(226,413)	(25,963)	(57,763)
Income tax	(34,982)	(32,358)	(27,595)	13,359	2,502	(18,654)	27,764
Profit (Loss) for the year from continuing operations	(196,192)	91,904	82,964	(72,533)	(223,911)	(44,617)	(29,999)
Profit (Loss) for the year from discontinued operations, net of tax	(7,294)	—	—	—	—	(7,294)	—
Consolidated profit (loss) for the year	(203,486)	91,904	82,964	(72,533)	(223,911)	(51,911)	(29,999)
Non-controlling interests	(41,912)	3,593	6,783	(6,291)	991	—	(46,988)
Profit (Loss) attributable to the Parent	(161,574)	88,311	76,181	(66,242)	(224,902)	(51,911)	16,989
Contribution to FCC Group profit (loss)	(161,574)	88,311	76,181	(66,242)	(177,963)	(51,911)	(29,950)

	Total Group	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
2015							
Revenue	6,476,024	2,855,608	1,033,507	1,992,936	580,410	48,090	(34,527)
<i>Non-group customers</i>	6,476,024	2,849,202	1,022,846	1,984,873	571,013	48,090	—
<i>Transactions with other segments</i>	—	6,406	10,661	8,063	9,397	—	(34,527)
Other income	218,404	45,555	38,853	80,972	17,102	82,060	(46,138)
<i>Non-group customers</i>	218,404	44,846	41,276	79,951	17,009	35,322	—
<i>Transactions with other segments</i>	—	709	(2,423)	1,021	93	46,738	(46,138)
Operating expenses	(5,879,792)	(2,475,824)	(844,897)	(1,998,113)	(503,236)	(138,525)	80,803
Depreciation and amortisation charge and allocation to the consolidated statement of profit or loss of grants related to non-financial non-current assets and other grants	(428,457)	(228,655)	(81,291)	(37,716)	(65,924)	(15,496)	625
Other income and expenses	(62,352)	(5,154)	(887)	(57,309)	238	760	—
Profit (Loss) from operations	323,827	191,530	145,285	(19,230)	28,590	(23,111)	763
Percentage of revenue	5,00%	6,71%	14,06%	(0,96%)	4,93%	(48,06%)	(2,21%)
Finance income and costs	(354,258)	(108,881)	(41,515)	(14,371)	(102,435)	92,749	(179,805)
Other net finance income and costs	(10,624)	3,189	126	(12,687)	264	(116,056)	114,540
Result of companies accounted for using the equity method	35,354	8,667	5,057	(19,436)	425	40,600	41
Profit (Loss) before tax from continuing operations	(5,701)	94,505	108,953	(65,724)	(73,156)	(5,818)	(64,461)
Income tax	40,846	39,799	(30,806)	(3,872)	13,064	22,943	(282)
Profit (Loss) for the year from continuing operations	35,145	134,304	78,147	(69,596)	(60,092)	17,125	(64,743)
Profit (Loss) for the year from discontinued operations, net of tax	(89,311)	—	—	—	—	(89,311)	—
Consolidated profit (loss) for the year	(54,166)	134,304	78,147	(69,596)	(60,092)	(72,186)	(64,743)
Non-controlling interests	(7,875)	3,086	3,338	(2,703)	1,878	(541)	(12,933)
Profit (Loss) attributable to the Parent	(46,291)	131,218	74,809	(66,893)	(61,970)	(71,645)	(51,810)
Contribution to FCC Group profit (loss)	(46,291)	131,218	74,809	(66,893)	(48,906)	(71,645)	(64,874)

The contribution of the “Corporate” segment to the FCC Group's result includes mainly the impairment of the ownerships interests of the heads of the rest of the segments, as well as the dividends paid by the Group companies, and the finance income billed to other Group companies as a result of the intra-group loans granted by the Parent to other investees. All of these items are eliminated, as shown in the “Eliminations” column, as they are transactions with Group companies. Also, the “Corporate” segment includes borrowing costs relating to bank borrowings, mainly in connection with the syndicated debt of Fomento de Construcciones y Contratas, S.A.

As at 31 December 2016 the “Corporate” segment also includes impairment of the UGE goodwill corresponding to the entire Cementos Portland subgroup, totalling EUR 112,764 thousand (Notes 7 and 27).

Balance sheet by segment

	Total Group	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
2016							
ASSETS							
Non-current assets	7,008,694	2,535,968	1,489,830	715,109	1,297,045	4,213,612	(3,242,870)
Intangible assets	2,536,258	772,968	882,243	79,091	522,929	338,209	(59,182)
Additions	82,693	38,219	19,945	188	12	24,329	—
Property, plant and equipment	2,520,255	1,437,379	320,261	140,032	618,795	21,386	(17,598)
Additions	209,874	148,148	26,477	26,157	7,719	1,373	—
Investment property	14,303	161	—	3,176	—	10,966	—
Additions	—	—	—	—	—	—	—
Investments accounted for using the equity method	669,002	81,116	129,552	59,611	71,565	326,648	510
Non-current financial assets	322,252	141,699	111,222	17,552	8,030	3,210,350	(3,166,601)
Deferred tax assets	946,624	102,645	46,552	415,647	75,726	306,053	1
Current assets	3,761,087	932,166	833,402	1,700,896	188,929	830,970	(725,276)
Non-current assets classified as held for sale	14,907	—	—	—	—	14,907	—
Inventories	581,627	22,548	27,167	166,433	69,362	297,417	(1,300)
Trade and other receivables	1,690,807	635,810	281,409	700,537	76,536	76,072	(79,557)
Other current financial assets	263,726	66,091	425,093	167,485	15,713	233,762	(644,418)
Other current assets	63,935	27,521	1,014	33,033	2,149	219	(1)
Cash and cash equivalents	1,146,085	180,196	98,719	633,408	25,169	208,593	—
Total assets	10,769,781	3,468,134	2,323,232	2,416,005	1,485,974	5,044,582	(3,968,146)
EQUITY AND LIABILITIES							
Equity	936,812	487,588	853,209	697,768	343,796	558,341	(2,003,890)
Non-current liabilities	6,595,636	1,524,162	906,061	571,308	1,034,026	3,797,428	(1,237,349)
Grants	225,460	7,475	43,140	—	1,570	173,275	—
Long-term provisions	1,175,595	404,589	115,570	256,374	19,889	379,172	1
Non-current financial liabilities	4,659,288	819,031	692,229	249,983	934,065	3,196,550	(1,232,570)
Deferred tax liabilities	360,347	122,739	50,612	64,951	78,502	48,322	(4,779)
Other non-current liabilities	174,946	170,328	4,510	—	—	109	(1)
Current liabilities	3,237,333	1,456,384	563,962	1,146,929	108,152	688,813	(726,907)
Liabilities associated with non-current assets classified as held for sale	14,907	—	—	—	—	14,907	—
Short-term provisions	202,911	6,794	17,335	156,506	12,572	9,705	(1)
Current financial liabilities	493,228	126,217	48,109	47,158	28,859	887,687	(644,802)
Trade and other payables	2,526,287	547,370	494,438	1,419,558	66,721	80,304	(82,104)
Intra-Group transactions	—	776,003	4,080	(476,293)	—	(303,790)	—
Total equity and liabilities	10,769,781	3,468,134	2,323,232	2,416,005	1,485,974	5,044,582	(3,968,146)

	Total Group	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
2015							
ASSETS							
Non-current assets	8,184,311	2,741,931	1,545,074	753,176	2,101,884	4,270,606	(3,228,360)
Intangible assets	3,026,420	841,541	914,944	88,653	761,270	370,052	49,960
Additions	124,811	84,637	23,423	915	2,363	13,473	—
Property, plant and equipment	3,126,234	1,574,195	320,775	133,489	1,097,231	23,059	(22,515)
Additions	229,212	154,298	23,623	40,155	9,636	1,500	—
Investment property	20,134	—	—	19,752	—	382	—
Additions	—	—	—	—	—	—	—
Investments accounted for using the equity method	586,967	83,742	135,902	53,834	25,733	273,589	14,167
Non-current financial assets	392,762	154,833	123,905	26,413	20,589	3,300,361	(3,233,339)
Deferred tax assets	1,031,794	87,620	49,548	431,035	197,061	303,163	(36,633)
Current assets	4,677,798	1,338,544	741,346	1,917,761	264,916	1,040,803	(625,572)
Non-current assets classified as held for sale	235,887	—	—	—	—	235,887	—
Inventories	648,639	38,719	22,923	180,172	115,822	291,918	(915)
Trade and other receivables	2,128,981	862,687	255,543	919,441	100,215	97,392	(106,297)
Other current financial assets	230,676	121,990	364,936	110,034	14,623	137,453	(518,360)
Other current assets	88,100	30,925	625	53,019	3,440	91	—
Cash and cash equivalents	1,345,515	284,223	97,319	655,095	30,816	278,062	—
Total assets	12,862,109	4,080,475	2,286,420	2,670,937	2,366,800	5,311,409	(3,853,932)
EQUITY AND LIABILITIES							
Equity	487,247	508,704	793,314	759,005	577,877	54,219	(2,205,872)
Non-current liabilities	7,717,833	1,581,690	920,705	569,373	827,944	4,836,336	(1,018,215)
Grants	248,263	7,432	43,039	—	2,968	194,824	—
Long-term provisions	1,254,119	446,618	113,138	264,542	71,726	358,095	—
Non-current financial liabilities	5,678,798	966,986	701,882	217,882	574,612	4,219,071	(1,001,635)
Deferred tax liabilities	479,548	132,880	51,697	76,261	178,638	56,652	(16,580)
Other non-current liabilities	57,105	27,774	10,949	10,688	—	7,694	—
Current liabilities	4,657,029	1,990,081	572,401	1,342,559	960,979	420,854	(629,845)
Liabilities associated with non-current assets classified as held for sale	15,887	—	—	—	—	15,887	—
Short-term provisions	194,743	6,560	15,513	144,359	16,008	12,303	—
Current financial liabilities	1,529,379	386,222	75,032	57,013	840,062	690,369	(519,319)
Trade and other payables	2,917,020	601,178	464,734	1,705,583	104,909	151,142	(110,526)
Intra-Group transactions	—	996,121	17,122	(564,396)	—	(448,847)	—
Total equity and liabilities	12,862,109	4,080,475	2,286,420	2,670,937	2,366,800	5,311,409	(3,853,932)

Cash flows by segment

	Total Group	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
2016							
From operating activities	1,024,902	715,677	218,096	(3,985)	74,764	93,228	(72,878)
From investing activities	(94,686)	(143,327)	(113,899)	(79,961)	(1,620)	(100,264)	344,385
From financing activities	(1,091,314)	(645,908)	(96,234)	58,786	(76,716)	(59,734)	(271,508)
Other cash flows	(38,332)	(30,469)	(6,563)	3,473	(2,075)	(2,699)	1
Cash flows for the year	(199,430)	(104,027)	1,400	(21,687)	(5,647)	(69,469)	—
2015							
From operating activities	600,284	334,188	203,575	95,510	86,608	50,942	(170,539)
From investing activities	(412,559)	(233,925)	(159,692)	90,794	(11,822)	64,776	(162,690)
From financing activities	(392,464)	(222,249)	(68,785)	(84,210)	(92,576)	(257,873)	333,229
Other cash flows	13,106	11,148	(2,813)	(39,102)	3,410	40,463	—
Cash flows for the year	(191,633)	(110,838)	(27,715)	62,992	(14,380)	(101,692)	—

b) Activities and investments by geographical market

Approximately 48% of the Group's business is conducted abroad (2015: 47%).

The breakdown, by market, of the revenue earned abroad by the Group companies in 2016 and 2015 is as follows:

	Total	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
2016							
European Union	1,546,119	1,164,191	143,831	193,558	45,399	—	(860)
US	246,022	14,227	—	46,603	185,192	—	—
Latin America	351,432	—	31,842	295,523	4,428	26,118	(6,479)
Saudi Arabia	484,842	—	36,072	458,064	—	—	(9,294)
Other	250,674	23,682	33,315	78,005	115,650	—	22
	2,879,089	1,202,100	245,060	1,071,753	350,669	26,118	(16,611)
2015							
European Union	1,696,614	1,307,886	150,288	196,216	42,901	—	(677)
US	260,701	5,548	—	36,901	218,273	—	(21)
América Latina	491,096	—	61,986	419,425	2,900	8,368	(1,583)
Saudi Arabia	356,797	—	21,928	341,481	—	—	(6,612)
Other	262,997	24,106	19,538	100,252	119,102	—	(1)
	3,068,205	1,337,540	253,740	1,094,275	383,176	8,368	(8,894)

The following information, by geographical area, included in the accompanying consolidated financial statements is shown below:

	Total Group	Spain	United Kingdom	Czech Republic	Other EU countries	US	Latin America	Other
2016								
ASSETS								
Intangible assets	2,536,258	1,585,815	486,062	1,046	239,876	—	223,195	264
Property, plant and equipment	2,520,255	1,210,786	686,443	275,238	259,366	18,616	32,416	37,390
Investment property	14,303	535	—	—	3,176	—	—	10,592
Deferred tax assets	946,624	837,314	78,545	2,970	10,787	1,798	8,123	7,087
2015								
ASSETS								
Intangible assets	3,026,420	1,941,671	531,556	724	245,929	47,644	258,312	584
Property, plant and equipment	3,126,234	1,205,347	839,047	276,953	254,322	476,504	10,855	63,206
Investment property	20,134	382	—	—	9,221	—	—	10,531
Deferred tax assets	1,031,794	823,086	59,825	2,620	11,199	127,405	3,672	3,987

c) Headcount

The average number of employees in 2016 and 2015, by business area, was as follows:

	2016	2015
Environmental Services	39,723	38,908
End-to-End Water Management	7,905	7,835
Construction	6,133	8,394
Cement	1,562	1,718
Corporate	281	306
	55,604	57,161

29. INFORMATION ON THE ENVIRONMENT

At a meeting held on 3 June 2009, the Board of Directors of FCC approved the FCC Group's environmental policy which responded to the initial objectives of the Corporate Responsibility Master Plan, thereby reinforcing the Group's social responsibility commitment as part of its strategy, and reflecting its considerable involvement in environmental services.

The FCC Group carries on its activities based on commitment and corporate responsibility, compliance with applicable legal requirements, respect for the relationship with its stakeholders and its desire to generate wealth and social well-being.

Aware of the importance for the FCC Group of the preservation of the environment and the responsible use of available resources and in line with its vocation for service represented by activities with a clear environmental focus, the FCC Group fosters and encourages the following principles throughout the organisation, which form the basis of its contribution to sustainable development:

Continuous improvement

To promote environmental excellence through the setting of targets to achieve continuous improvement in the performance of activities, while minimising the negative impacts of the FCC Group's processes, products and services and strengthening the positive impacts.

Control and monitoring

To establish environmental indicator management systems for the operational control of processes, which provide the necessary information for monitoring, assessing, taking decisions on and communicating the FCC Group's environmental efforts, and ensure compliance with the commitments acquired.

Climate change and prevention of pollution

To lead the battle against climate change by implementing processes involving reduced emission of greenhouse gases and by promoting energy efficiency and the use of renewable energies.

To prevent pollution and protect the natural environment through responsible management and consumption of natural resources and by minimising the impact of the emissions, discharges and waste generated and managed as a result of the FCC Group's activities.

Observation of the environment and innovation

To identify the risks and opportunities of the activities with respect to the changing natural environment in order to promote innovation and the use of new technologies, and to generate synergies between the FCC Group's various activities.

Life cycle of the products and services

To intensify environmental considerations in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.

The participation of all is a must

To promote awareness and application of the environmental principles among employees and other stakeholders.

To share experience of best practices with the various stakeholders to promote alternative solutions to those already established to help achieve a sustainable environment.

This environmental policy is implemented using quality and environmental management systems and follow-up audits which evidence the measures taken by the FCC Group in this area. With regard to environmental risk management, the Group has implemented environmental management systems certified under ISO 14001 standards in the various business areas, which focus on:

- a) Compliance with the applicable regulations and achievement of environmental objectives that go beyond external requirements.
- b) Reduction of environmental impact through adequate planning.
- c) Ongoing analysis of risks and possible improvements.

The basic risk prevention tool is the environmental plan which must be prepared by each operating unit and which consists of:

- a) Identification of environmental issues and of applicable legislation.
- b) Impact evaluation criteria.
- c) Measures to be adopted.
- d) A system for measuring the objectives achieved.

By their very nature, the activities of the Environmental Services Area are geared towards environmental protection and conservation, not only through the production activity itself (waste collection, street cleaning, operation and control of landfills, sewer cleaning, treatment and elimination of industrial waste,

etc.), but also as a result of performing these activities using production techniques and systems designed to reduce environmental impact, on occasions surpassing the requirements stipulated in the regulations governing this area.

The performance of production activities in the Environmental Services Area requires the use of specialised structures, plant and machinery that are efficient in terms of environmental protection and conservation. At 31 December 2016, the acquisition cost of the non-current assets assigned to production in the Environmental Services Area, net of depreciation and amortisation, totalled EUR 2,210,347 thousand (31 December 2015: EUR 2,326,740 thousand). The environmental provisions, mainly for landfill sealing and shutdown expenses, totalled EUR 319,229 thousand (31 December 2015: EUR 357,592 thousand).

The activity in which Aqualia engages is directly linked to environmental protection since the driving force behind its work is, in collaboration with the various Public Authorities, efficient end-to-end water management and ensuring the availability of water so as to allow sustainable growth of the areas where it provides its services. One of the main objectives of FCC Aqualia is continuous improvement through an End-to-End Management System, which includes both the management of the quality of the processes, products and services and environmental management. The main activities performed are: water quality control at both the collection and distribution stages, a 24-hour, 365 days per year monitoring service enabling incidents affecting its distribution networks to be resolved as quickly as possible, with the resulting water saving, the optimisation of electricity consumption and the elimination of environmental impact caused by the discharge of waste water.

The Group's cement companies have non-current assets designed to filter atmospheric gas emissions, honour their commitments relating to the environmental restoration of depleted quarries and apply technologies that contribute to environmentally-efficient process management.

At 31 December 2016, the Cementos Portland Valderrivas Group had made environmental investments amounting to EUR 134,093 thousand (2015: EUR 165,252 thousand), which were recognised under "Intangible Assets" and "Property, Plant and Equipment". The related accumulated depreciation and amortisation charge amounted to EUR 78,319 thousand (2015: EUR 90,107 thousand).

Due to its cement activities, the Group receives CO₂ emission allowances for no consideration under the corresponding national allocation plans. In this connection, it should be noted that in 2016 emission allowances equivalent to 4,032 thousand tonnes per annum were received (2015: 3,112 thousand tonnes) corresponding to Cementos Portland Valderrivas, S.A. and Cementos Alfa, S.A.

"Other Operating Income" in the accompanying consolidated statement of profit or loss includes the income obtained from operations to sell greenhouse-gas rights in 2015, totalling EUR 3,895 thousand (Note 27.a). In 2016 no such rights were sold.

The Construction Area adopts environmental practices which make it possible to respect the environment in the performance of construction projects, and minimises its environmental impact through the following measures: reduction of atmospheric dust emissions; noise and vibration control; control of water discharges, with special emphasis on the treatment of effluents generated by construction projects; maximum reduction of waste generation; safeguarding of the biological diversity of animals and plants; protection of urban surroundings due to the occupation, pollution or loss of land; and the development of specific training programs for line personnel involved in the environmental decision-making process. It has also implemented an "Environmental behaviour code" which establishes the environmental conservation and protection requirements for subcontractors and suppliers.

Also, it is considered that there were no significant contingencies in relation to the protection and improvement of the environment at 31 December 2016 that might have a material impact on the accompanying consolidated financial statements.

For further information on the matters discussed in this Note, please refer to the Group's "Corporate Social Responsibility" report, which is published annually on FCC's website, www.fcc.es, among other channels.

30. FINANCIAL RISK MANAGEMENT POLICIES

The concept of financial risk refers to the changes in the financial instruments arranged by the FCC Group as a result of political, market and other factors and the repercussion thereof on the consolidated financial statements. The FCC Group's risk management philosophy is consistent with its business strategy and seeks to achieve maximum efficiency and solvency at all times. To this end, strict financial risk management and control criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred in the Group's operations, and the risk policy has been integrated into the Group's organisation in the appropriate manner.

In view of the Group's activities and the transactions through which it carries on its business, it is currently exposed to the following financial risks:

a) Capital risk

For capital management purposes, the fundamental aim of the FCC Group is to reinforce the financial and equity structure to improve the Debt/Equity Ratio, in an attempt, on the one hand, to reduce the cost of capital and in turn maintain capital adequacy, in order to continue managing its activities and, on the other, to maximise value for shareholders, not just at Group level, but also at Parent level, i.e. at Fomento de Construcciones y Contratas, S.A. level.

The fundamental basis that the Group considers as capital is reflected under "Equity" in the consolidated balance sheet, which for management and monitoring purposes excludes both "Changes in Fair Value of Financial Instruments" and "Translation Differences".

"Changes in Fair Value of Financial Instruments" is excluded for management purposes as it is considered within the management of interest rate risk since it is the result of the measurement of instruments that convert floating-rate debt into fixed-rate debt. Translation differences are managed as part of the foreign currency risk management activities.

In addition to the contents of the preceding paragraph, it should also be noted that the Group's financial liabilities includes two components which may be considered capital for management purposes: the convertible bonds and Tranche B of the refinancing arranged by the Group, given their convertible nature in certain circumstances.

In the first case, this item is not included, due to the unsubordinated nature of such bonds once the refinancing has been arranged.

In the second case, despite the component which can be converted on maturity, it is considered solely to be financial debt, given the intention to repay it from when it is arranged and the high conversion price.

In light of the industry in which the Group operates, it is not subject to external capital requirements, although this does not prevent regular monitoring of the equity ratio in order to guarantee a financial structure that is based on compliance with the legislation in force in the countries in which the Group operates. The capital structure of each of the subsidiaries is also analysed in order to strike a suitable balance between debt and equity.

Proof of the foregoing are the capital increase of EUR 1,000,000 thousand performed at the end of 2014 and completed on 4 March 2016 of EUR 709,519 thousand, both of which are earmarked to strengthen the Company's capital structure.

Also, as explained in Note 20 on non-current and current financial liabilities, in September much of the convertible bond issue of FCC S.A. was repaid. This, together with other smaller request in subsequent months, represented repayment of the issue during the year of EUR 418 million, i.e., nearly 93% of the total. This cancellation has made it possible to substantially reduce the annual finance cost of 6.5% associated with this issue. This operation was in addition to the repayment in April of 77% of Tranche B of the syndicated loan of FCC S.A. by using the Dutch auction procedure, obtaining an average discount of 15%. In July a new financing structure came into effect at the head of the cement division, CPV, following the amortisation of more than EUR 270 million with funds obtained from the capital increase in March, including a new due date of five years and a substantial reduction of the financial cost, enabling the financing structure to match the forecast generation of cash.

With these operations the FCC Group has made significant progress in the process that is under way, consolidating and optimising the capital structure to provide a solid finance platform, while strengthening operational capacity and flexibility.

General Financial Management, which is responsible for the management of financial risks, periodically reviews the Debt-Equity Ratio and compliance with the financing covenants and the capital structure of the subsidiaries.

b) The FCC Group is exposed to foreign currency risk

A noteworthy consequence of the FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency.

Although the FCC Group's reference currency and that with which it mainly operates is the euro, the FCC Group also has certain financial assets and liabilities denominated in currencies other than the euro. The foreign currency risk arises mainly on debt denominated in foreign currencies, on investments to be made in international markets and on amounts received in a currency other than the euro.

As shown in the following table, this risk is mitigated since at 31 December 2016 99% of the Group's net debt was denominated in euros, followed in second place by US dollar:

	CONSOLIDATED						
	Euro	US dollar	Pound sterling	Czech koruna	Non-eurozone European currencies	Latin America	Other
Total consolidated net debt	3,539,614	(375,656)	327,411	162,766	(5,852)	(2,305)	(55,048)
Net debt as a percentage of total debt	98.6%	(10.4%)	9.1%	4.5%	(0.2%)	(0.1%)	(1.5%)

The breakdown, by currency, of cash and cash equivalents is detailed in Note 17 to these consolidated financial statements, which indicates that 43% was denominated in euros at 31 December 2016 (31 December 2015: 51%).

The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the statement of profit or loss.

The following table summarises the sensitivity to changes in the exchange rates of the two main currencies in which the Group operates, the US dollar and the pound sterling:

	+ 10% pound sterling and US dollar	
	Profit or loss	Equity
Pound sterling	(1,616)	25,312
US Dollar	(1,685)	1,095
Total	(3,301)	26,407

	+ 10% pound sterling and US dollar	
	Profit or loss	Equity
Pound sterling	1,616	(25,312)
US Dollar	1,685	(1,095)
Total	3,301	(26,407)

The impact on the pound sterling is due mainly to the conversion of the new assets relating to the investment held in the FCC Environment (UK) subgroup. The impact on the US dollar arises mainly on translation of the result of the Giant subgroup as a result of the losses incurred in the year mostly originating in financial costs, caused by the advance repayment of bonds.

c) The FCC Group is exposed to interest rate risk

The FCC Group is exposed to risks arising from interest rate fluctuations, since the Group's financial policies aim to guarantee that its current financial assets and its debt are partially tied to floating interest rates. The reference interest rate for the bank borrowings of the FCC Group arranged in euros is mainly Euribor.

Any interest rate increase could increase the borrowing costs on the FCC Group's debt tied to floating rates and could increase, in turn, the refinancing costs of the FCC Group's debt and the costs involved in issuing new debt.

In order to ensure a position that is in the FCC Group's best interest, an interest rate risk management policy is actively implemented based on the ongoing monitoring of markets and on assuming different positions based primarily on the asset being financed.

Furthermore, as part of the FCC Group's interest rate risk management policy, interest rate hedging transactions and fixed-rate financing were arranged in 2015, accounting for 19% of the total gross debt of the Group at the end of the year, including Project Structured Financing hedges.

The following table presents a breakdown of the FCC Group's gross debt and of its debt that has been hedged, either because it bears interest at a fixed rate or because it is hedged by derivatives:

	Construction	Environmental Services	Cement	End-to-End Water Management	Corporate	Consolidated
Total gross borrowings	58,094	649,597	536,932	294,456	3,461,988	5,001,067
Hedges and fixed rate financing at 31/12/16	(25,997)	(507,558)	(8,164)	(254,974)	(137,930)	(934,623)
Total floating-rate debt	32,097	142,039	528,768	39,482	3,324,058	4,066,444
Ratio: Floating-rate debt / Gross borrowings at 31/12/16	55.3%	21.9%	98.5%	13.4%	96.0%	81.3%

The following table summarises the effect that the increases in the interest rate yield curve on gross debt, after excluding any hedged debt, would have on the FCC Group's consolidated statement of profit or loss:

	+25 pb	Gross borrowings +50 pb	+100 pb
Impact on the statement of profit or loss	10,601	21,202	42,404

d) Solvency risk

The most representative ratio for measuring solvency and capability of repaying the debt is: Net Debt/EBITDA.

At 31 December 2016, the FCC Group's net financial debt presented in the accompanying consolidated balance sheet amounted to EUR 3,590,930 thousand, as shown in the following table:

	2016	2015
Bank borrowings	4,536,136	5,647,684
Debt instruments and other marketable securities	232,369	1,088,493
Other interest-bearing financial debt	232,562	313,600
Current financial assets	(264,052)	(230,676)
Cash and cash equivalents	(1,146,085)	(1,345,515)
Net financial debt	3,590,930	5,473,586
Net limited recourse debt	(1,261,817)	(2,219,308)
Net recourse borrowings	2,329,113	3,254,278

The strong generation of operating funds and measures applied to the capital structure have enabled a substantial reduction in the net financial debt to be achieved since the beginning of the year, i.e. up to EUR 3,590.9 million. The reduction of EUR 1,882.7 million is largely due to the capital increase completed in March, the deconsolidation of the holding in Giant Cement in the cement division (Notes 5 and 12), the receipt of an advance for the commissioning of a USW-treatment plant in the UK (Notes 11 and 22), the control of investments together with the sale of certain subsidiaries, and the management measures taken to contain costs and improve the conversion of operating cash assets.

With regard to the solvency risk, it should be noted that the adjustment made to the value of goodwill in the cement division (EUR 299. million in the third quarter of 2016 (Note 7) is responsible for the attributable consolidated annual losses of EUR 161.6 million, compared with losses of EUR 46.3 million in 2015. This impairment, which has no effect on the Group's cash generation, can be attributed to the

delay in the forecast process of recovery in Spain, associated with a new slump suffered by public investment over the course of the year.

In turn, the losses recognised in 2015 amounting to EUR 46,3 million were mainly due to “Profit (Loss) for the Year from Discontinued Operations”, the balance of which showed a loss of EUR 89,311,000, mainly as a consequence of the sale of the Cemusa Group.

e) The FCC Group is exposed to liquidity risk

The FCC Group performs its transactions in industries which require a high level of financing, and to date it has obtained sufficient adequate financing to be able to carry on its operations. However, the FCC Group cannot guarantee that these circumstances relating to the obtainment of financing will continue in the future.

The capacity of the FCC Group to obtain financing depends on many factors, many of which are outside its control, such as general economic conditions, the availability of bank funds and the monetary policies of the markets in which the FCC Group operates. Unfavourable conditions in the debt and capital markets can obstruct or impede the obtainment of adequate financing for the performance of the business activities of the FCC Group.

Apart from seeking new sources of financing, the FCC Group may need to refinance a portion of its current debt through bank loans and debt issues, since a significant portion of the financing of the FCC Group matures in 2018. Historically, the FCC Group has always been able to renew its loan agreements and expects to continue to do so over the next twelve months. However, the ability to renew the loan agreements depends on various factors, many of which are outside the control of the FCC Group, such as the general conditions of the economy, the availability of funds for loans from private investors and banks and the monetary policies of the markets in which the FCC Group operates. Unfavourable conditions in the debt markets can obstruct or impede the FCC Group's capacity to renew its financing. Therefore, the FCC Group cannot guarantee its capacity to renew the loan agreements on economically attractive terms. The inability to renew these loans or ensure adequate financing on acceptable terms could have an adverse impact on the liquidity of the FCC Group and on its ability to cover working capital requirements.

In order to adequately manage this risk, the Group closely monitors the maturities of all the credit lines and financing of each of the Group companies so that they can be renewed in sufficient time and on the best terms offered by the market, analyses the suitability of the financing on a case-by-case basis and studies any alternatives with more favourable terms. In addition, the FCC Group is present in various markets in order to facilitate the obtainment of financing and mitigate liquidity risk.

At 31 December 2016, the Group had the following repayment schedule for its gross borrowings, which for 2017 amount to EUR 410,989 thousand.

2017 Total Jan-Dec	2018 Total Jan-Dec	2019 Total Jan-Dec	2020 and subsequent years	TOTAL
410,989	3,506,172	101,504	982,402	5,001,067

A significant portion of the gross financial debt, EUR 1,503,581 thousand, has no recourse to the controlling company, including the financial debt in the cement division, totalling EUR 536,932 thousand as at 31 December 2016.

As at 31 December 2016 the Group presents positive goodwill of EUR 523,754 thousand (EUR 20,769 thousand as at 31 December 2015).

In addition, in 2016 the sale of the Globalvia subgroup was completed for EUR 95,161 thousand, with a sum of EUR 106,040 thousand pending receipt in the first quarter of 2017. In April the participating interest in the company Metro de Málaga S.A. was sold for EUR 27,446 thousand.

In order to manage liquidity risk, at 31 December 2016 the Group had cash amounting to EUR 865,168 thousand, as well as the following current financial assets and cash equivalents, which mature as follows:

Thousands of euros	Amount	1-3 months	3-6 months	6-9 months	9-12 months
Other current financial assets	263,726	146,003	14,130	21,435	82,158

Thousands of euros	Amount	1 month	1-2 months	2-3 months
Cash equivalents	280,917	21,585	82,416	176,916

f) Concentration risk

This risk arises from the concentration of financing transactions with common features which are distributed as follows:

- Sources of financing: in order to diversify this risk, the FCC Group works with numerous Spanish and international financial institutions in order to obtain financing.
- Markets/geographical area (Spanish, foreign): the FCC Group operates in a wide variety of Spanish and international markets. The Group's debt is concentrated mainly in euros and the remainder in various currencies in several international markets.
- Products: the FCC Group arranges various financial products, including loans, credit facilities, bonds, syndicated transactions, factoring, discounting, etc.
- Currency: the FCC Group finances its operations in a wide variety of currencies, corresponding to the country of origin.

The FCC Group's strategic planning process identifies the objectives to achieve in each of the areas of business activity, based on the improvements to be implemented, market opportunities and the level of risk considered acceptable. This process serves as a basis for the preparation of the operating plans which specify the goals to be reached each year.

In order to mitigate the market risks inherent to each business line, the Group maintains a diversified position between businesses related to infrastructure construction and management, provision of environmental services and others. In terms of geographical diversification, in 2016 business abroad accounted for 48% of total sales, with particular relative importance in the Group's most significant areas: infrastructure construction and environmental services.

g) Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Group, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position, could result in the risk of non-payment of the amounts owed.

The Group requests commercial reports and assesses the financial solvency of its customers before entering into agreements with them and also engages in ongoing monitoring of customers, and has a procedure in place to be followed in the event of insolvency. In the case of public customers, the Group follows the policy of not accepting projects without an allocated budget and financial approval. Offers exceeding a certain collection period must be authorised by the Financial Department. Furthermore, late payment is monitored on an ongoing basis by the various management committees.

The maximum level of exposure to credit risk was calculated, the detail of which at 31 December 2016 is as follows:

Financial loans granted	738,065
Trade and other receivables	1,690,807
Assets relating to financial derivatives	1,215
Cash and cash equivalents	1,146,085
Guarantees provided	4,332,937
TOTAL	7,909,109

In general, the Group does not have collateral, guarantees or enhancements to improve the credit risk for the financial loans or the trade receivables. However, it should be noted that in the case of certain agreements relating to the Water Area, mostly service concession arrangements subject to IFRIC 12, guarantees are requested from the customers, and there are compensation mechanisms in certain arrangements, mostly service concession arrangements subject to IFRIC 12 in the Water and Environmental Services Areas, which guarantee recovery of the loans granted to finance the initial fixed charges paid in advance or investment plans.

With respect to the creditworthiness, the Group applies its best criterion to recognise impairment on those financial assets for which uncertainty exists as to their recoverability. Therefore, since most of the unprovisioned financial assets relate to public sector customers in the Construction and Environment Areas, it should be considered that there is no risk of non-payment since the creditworthiness of those customers is high.

h) Financial derivatives designated as hedging instruments

In general, the financial derivatives arranged by the FCC Group are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in the notes to the consolidated financial statements. The main financial risk hedged by the FCC Group using derivative instruments relates to fluctuations in the floating interest rates to which the FCC Group companies' financing is tied. Financial derivatives are measured by experts on the subject that are independent from the Group and the entities financing it, using generally accepted methods and techniques.

Sensitivity analyses are carried out periodically in order to observe the effect of a possible change in interest rates on the Group's accounts.

Accordingly, a simulation was performed using three rising basic yield curve scenarios for the euro with an average of around of 0.45% in the medium and long term at 31 December 2016, assuming increases in the curve of 25 bp, 50 bp and 100 bp.

The amounts obtained in relation to the derivatives in force at year-end with an impact on equity are shown below (in thousands of euros), after the application, where applicable, of the percentage of ownership.

	Hedging derivatives		
	+25 pb	+50 pb	+100 pb
Impact on equity:			
Full consolidation	4,752	9,353	18,167
Equity method	14,854	29,259	56,794

31. INFORMATION ON RELATED PARTY TRANSACTIONS

a) Transactions with Directors of the Parent and Senior Executives of the Group

The detail of the fixed and variable remuneration earned by the Directors of Fomento de Construcciones y Contratas, S.A. in 2016 and 2015 and payable to them by the Company or by any of the Group companies, joint ventures or associates is as follows:

	2016	2015
Fixed remuneration	1,230	2,044
Other remuneration	1,738 (**)	5,448 (*)
	2,968	7,492

(*) In 2015 Juan Béjar Ochoa earned variable remuneration of EUR 4,225 thousand.

(**) Includes the contribution to the CEO's savings fund of EUR 202 thousand (Note 25).

The Senior Executives listed below, who are not members of the Board of Directors, earned total remuneration of EUR 3,507 thousand in 2016 (2015: EUR 5,861 thousand).

2016

Marcos Bada Gutiérrez	General Internal Audit Manager
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel Jurado Fernández	Manager of FCC Construcción
Félix Parra Mediavilla	General Manager of FCC Aqualia

The figure for total remuneration includes the sums corresponding to severance payments for three senior managers in 2016.

On 16 January 2017, Pablo Colio Abril replaced Miguel Jurado Fernández as the managing director of FCC Construcción.

2015

Carlos M. Jarque Uribe	Chief Executive and CEO
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel Jurado Fernández	Manager of FCC Construcción
Vicente Mohedano Martín	Manager of FCC Construcción
Miguel A. Martínez Parra	General Manager of Administration and Finance
Miguel Hernanz Sanjuán	General Internal Audit Manager
Julio Pastor Bayón	General Communication and Corporate Responsibility Manager
Félix Parra Mediavilla	General Manager of FCC Aqualia
Ana Villacañas Beades	General Organisation Manager

Note 25 on "Pension plans and similar obligations" describes the insurance taken out for certain directors and senior executives, and the economic fund set up to compensate the Senior Executive/CEO of the company Fomento de Construcciones y Contratas S.A. or its Group.

In relation to the investments held by the Directors of Fomento de Construcciones y Contratas, S.A., or persons related to them, in the share capital of companies outside the FCC Group; or in relation to whether they, as independent professionals or as employees, engage in an activity that is similar or complementary to that which constitutes the company object of the Group; or in relation to whether they themselves or a person acting on their behalf have performed, with the Company or with any company in the same Group, other transactions outside the course of the Company's ordinary business operations or in conditions that were not on arm's length conditions; it should be mentioned that the aforementioned Directors have stated that they or persons related to them:

- Do not carry on, as independent professionals or as employees, any activity that is identical, similar or complementary to the activity that constitutes the Company's object.
- Do not own any investments in the share capital of companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Fomento de Construcciones y Contratas, S.A.
- Had not performed, with the Company or any company of the same Group, other transactions outside the course of the Company's ordinary business operations, or in conditions that were not on an arm's length basis.

The detail of the Directors who hold positions at companies in which Fomento de Construcciones y Contratas, S.A. holds a direct or indirect ownership interest is as follows:

Name or company name of Director	Group company name	Position
DON CARLOS MANUEL JARQUE URIBE	REALIA BUSINESS, S.A.	DIRECTOR
DON GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CEO
DON JUAN RODRÍGUEZ TORRES	REALIA BUSINESS, S.A.	CEO
	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	EXECUTIVE CHAIRMAN
DON ALVARO VÁZQUEZ DE LAPUERTA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
INMOBILIARIA AEG, S.A. DE C.V.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS, S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHAIRMAN'S OFFICE
	REALIA BUSINESS, S.A.	DIRECTOR

These Directors hold positions or discharge functions and/or hold ownership interests of less than 0.01% in all cases in other FCC Group companies in which Fomento de Construcciones y Contratas, S.A. directly or indirectly holds a majority of the voting power.

At the Annual General Meeting held on 28 June 2016 five Directors (Juan Rodríguez Torres, Carlos Manuel Jarque Uribe, Antonio Gómez García, Alfonso Salem Slim y Miguel Angel Martínez Parra), were released so that they could hold a direct or indirect ownership interest and discharge executive or management positions at the companies of the Group to which the shareholders Control Empresarial de Capitales, S.A. de C.V. and Inmobiliaria Carso, S.A. de C.V. or at their investees or affiliates belong.

In addition, in both 2015 and 2016 a number of ad hoc conflicts of interest have come to light affecting certain directors. These have been resolved according to the procedure provided under the board regulations, with the persons involved standing aside from the relevant discussions and votes.

In 2016 no significant transactions giving rise to a transfer of resources or obligations between Group companies and their Executives or Directors were carried out.

b) Transactions between Group companies or entities

Numerous transactions take place between the Group companies as part of the Group's normal business activities which, in any event, are eliminated in the preparation of the consolidated financial statements.

The revenue recognised in the accompanying consolidated statement of profit or loss includes EUR 105,971 thousand (2015: EUR 113,256 thousand) relating to Group company billings to associates and joint ventures.

The Group's consolidated financial statements also include purchases from associates and joint ventures amounting to EUR 14,939 thousand (2015: EUR 31,596 thousand).

c) Operations with associated parties

During the year various operations took place with companies with which shareholders of Fomento de Construcciones y Contratas S.A. are associated. The most significant of these were as follows:

- Contracts to provide services entered into between Alejandro Aboumrad González and Fomento de Construcciones y Contratas S.A. and between Gerardo Kuri Kaufmann and Cementos Portland Valderrivas, S.A., worth EUR 338 thousand and EUR 175 thousand, respectively.
- Subcontracting of works pending completion and new works contracted for the “Ciudad de la Salud” project in Panama to FCC Américas S.A. de C.V., which is 50% owned by the Carso group and by the Group.
- Exclusion OPA for the Cementos Portland Valderrivas S.A. holding (Note 5).
- Corporate operation in Giant Cement Holding Inc., with Elementia S.A. de C.V. (Note 5).
- Agreement to sell the holding in Concesionaria Túnel de Coatzacoalcos S.A. de C.V. to Promotora de Desarrollo de América Latina S.A. de C.V.
- Operation for sale without recourse of clients' invoices guaranteed by the finance group Inbursa, worth approximately EUR 200 million (Note 16).
- Capital increase effected by Realía Business S.A., in which the Group was involved via its effective participating interest (Notes 5 and 12).
- A consortium headed by the Carso group in which the Group is also a partner has been awarded the contract to build the new international terminal at Mexico City airport.
- Another consortium between the Carso group and the Group will build the Samalayuca gas pipeline in Mexico.
- In the framework of the refinancing of the debt associated with the Spanish business of the Cementos Portland Valderrivas group, a subordinate finance contract has been formalised, worth approximately EUR 80 million, with Banco Inbursa S.A., a multiple banking institution, at an interest rate of Euribor plus a differential of 290 basic points, due in January 2022. The finance costs accrued during the year totalled EUR 974 thousand.

Additionally, other operations are carried out under market conditions, mostly telephone and ISP services, with associated parties related to the majority shareholder. The sums involved are not significant.

d) Mechanisms established to detect, determine and resolve possible conflicts of interests between the Parent and/or its Group and its Directors, Executives or significant shareholders.

The FCC Group has established precise mechanisms to detect, determine and resolve possible conflicts of interests between the Group companies and their Directors, Executives and significant shareholders, as indicated in Article 25 of the Board's Regulations.

32. FEES PAID TO AUDITORS

The fees paid correspond to the 2016 and 2015 fiscal years for auditing and other professional and verification services provided for the various Group and jointly managed companies within the FCC Group, by the main auditor and other participants in the audits of the various Group companies and associate entities, both in Spain and abroad, are shown on the chart below:

	Principal auditor	2016 Other auditors	Total	Principal auditor	2015 Other auditors	Total
Audit services	2,917	413	3,330	3,247	349	3,596
Other attest services	201	21	22	232	76	308
Total audit and related services	3,118	434	3,553	3,479	425	3,904
Tax counselling services	210	1,425	1,635	210	293	503
Other services	581	4,543	5,124	683	4,173	4,856
Total professional services	791	5,968	6,759	893	4,466	5,359
	3,909	6,402	10,312	4,372	4,891	9,263

33. EVENTS AFTER THE REPORTING PERIOD

On 13 February 2017 the acceptance period for the Cementos Portland Valderrivas S.A. exclusion public acquisition bid (exclusion OPA; Note 5) expired. The exclusion OPA was accepted for 9,356,605 shares, representing 87.81% of the shares to which the OPA originally referred. Consequently, no forced sales are needed. The Group's effective participating interest following the operation is now 97.45%. On 24 February 2017 all the shares of Cementos Portland Valderrivas (51,786,608 in all) were excluded from trading.

Receipt from the sale of the shares of Xfera Móviles S.A. and transfer of participatory loans occurred on 7 February 2017 for a final sum of EUR 29,139 thousand. The sum initially estimated as at 31 December 2016 was EUR 24.285 thousand, corresponding to impairment of the participatory loans of EUR 11,047 thousand. On the date of preparation of these annual financial statements, in accordance with IAS "Events after the reporting period" the sum of this impairment has been adjusted (Note 14).

On 28 February 2017 the Company received EUR 106,444 thousand corresponding to the deferred price of the sale of the shares of Globalvia Infraestructuras S.A. (Notes 4 and 5). As the receivable was valued as a current financial asset at fair value with changes in profit and loss at EUR 106,040 thousand, in accordance with the regulations no adjustment has been made with regard to the difference with the sum recorded in these consolidated financial statements.

SUBSIDIARIES (FULLY CONSOLIDATED)

Company	Registered office	Effective percentage of ownership	Auditor
<u>ENVIRONMENTAL SERVICES</u>			
Alfonso Benítez, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Aparcamientos Concertados, S.A.	Arquitecto Gaudí, 4 – Madrid	100.00	
Armiges, S.A.	Plaza de la Constitución s/n – Armilla (Granada)	51.00	
Azinco Investment, S.L.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Beotpad d.o.o. Beograd	Serbia	100.00	
Castellana de Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Compañía Catalana de Servicios, S.A.	Balmes, 36 – Barcelona	100.00	
Compañía Control de Residuos, S.L.	Peña Redonda, 27 P.I. Silvota – Llanera (Asturias)	64.00	
Corporación Inmobiliaria Ibérica, S.A.	Federico Salmón, 13 – Madrid	100.00	
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	
Ecoactiva de Medio Ambiente, S.A.	Ctra. Puebla Albortón a Zaragoza km. 25 - Zaragoza	60.00	
Ecodeal-Gestao Integral de Resíduos Industriais, S.A.	Portugal	53.62	Deloitte
Ecogenesis Societe Anonime Rendering of Cleansing and Waste Management Services	Greece	51.00	
Ecoparque Mancomunidad del Este, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Egypt Environmental Services, S.A.E.	Egypt	100.00	Deloitte
Ekostone Áridos Siderúrgicos, S.L.	Las Mercedes, 25 – Las Arenas (Biscay)	51.00	
Empresa Comarcal de Serveis Mediambientals del Baix Penedés – ECOBP, S.L.	Plaça del Centre, 3 – El Vendrell (Tarragona)	66.60	Audinfor
Enviropower Investments Limited	United Kingdom	100.00	Deloitte
Europea de Tratamiento de Residuos Industriales, S.A.	Federico Salmón, 13 – Madrid	100.00	
FCC (E&M) Holdings Ltd.	United Kingdom	100.00	Deloitte
FCC (E&M) Ltd.	United Kingdom	100.00	Deloitte
FCC Ámbito, S.A. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Environment Developments Ltd.	United Kingdom	100.00	Deloitte
FCC Environment Portugal, S.A. (1)	Portugal	100.00	Deloitte
FCC Environment Services (UK) Limited	United Kingdom	100.00	Deloitte
FCC Environmental Services (USA) LLC.	USA	100.00	

1) Change of name. Formerly FOCSA Serviços de Saneamento Urbano de Portugal, S.A.

APPENDIX 1/2

Company	Registered office	Effective percentage of ownership	Auditor
FCC Equal CEE, S.L.	Federico Salmón, 13 – Madrid	100.00	
FCC Equal CEE C. Andalucía, S.L.	Av. Molière, 36 – Malaga	100.00	
FCC Equal CEE C. Valenciana, S.L.	Riu Magre, 6 P.I. Patada del Cid – Quart de Poblet (Valencia)	100.00	
FCC Medio Ambiente, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Gamasur Campo de Gibraltar, S.L.	Antigua Ctra. de Jimena de la Frontera, s/n – Los Barrios (Cadiz)	85.00	
Gandia Serveis Urbans, S.A.	Llanterners, 6 – Gandia (Valencia)	95.00	Centium
Gestió i Recuperació de Terrenys, S.A. (Sole-Shareholder Company)	Rambla de Catalunya, 2-4 – Barcelona	80.00	Capital Auditors
Golrib, Soluções de Valorização de Resíduos Lda.	Portugal	55.00	
.A.S.A. Group	Austria		
.A.S.A. Abfall Service AG	Austria	100.00	Deloitte
.A.S.A. Abfall Service Betriebs GmbH	Austria	100.00	
.A.S.A. Abfall Service Freistadt GmbH	Austria	100.00	
.A.S.A. Abfall Service Halbenrain GmbH	Austria	100.00	
.A.S.A. Abfall Service Industrieviertel Betriebs GmbH	Austria	100.00	
.A.S.A. Abfall Service Mostviertel GmbH	Austria	100.00	Deloitte
.A.S.A. Abfall Service Neunkirchen GmbH	Austria	100.00	
.A.S.A. Abfall Service Zistersdorf GmbH	Austria	100.00	Deloitte
.A.S.A. AbfallService Halbenrain GmbH & Co Nfg KG	Austria	100.00	Deloitte
.A.S.A. AbfallService Industrieviertel GmbH & Co Nfg KG	Austria	100.00	
.A.S.A. AbfallService Wiener Neustadt GmbH	Austria	100.00	
.A.S.A. Bulgaria E.O.O.D.	Bulgaria	100.00	Deloitte
.A.S.A. EKO Polska sp. z.o.o.	Poland	100.00	Deloitte
.A.S.A. Finanzdienstleistungen GmbH	Austria	100.00	Deloitte
.A.S.A. Hódmezővásárhely Köztisztasági Kft	Hungary	61.83	Deloitte
.A.S.A. International Environmental Services GmbH	Austria	100.00	Deloitte
.A.S.A. Kikinda d.o.o.	Serbia	80.00	Deloitte
.A.S.A. Lubliniec sp. z.o.o.	Poland	61.97	
.A.S.A. Tarnobrzeg sp. z.o.o.	Poland	60.00	Deloitte

APPENDIX 1/3

Company	Registered office	Effective percentage of ownership	Auditor
.A.S.A. TS Prostějov s.r.o.	Czech Republic	49.00	Deloitte
.A.S.A. Vrbak d.o.o.	Serbia	51.00	
ASMJ s.r.o.	Czech Republic	51.00	Deloitte
Ecoservice Lovetech	Bulgaria	90.00	
EKO-Radomsko sp. z o.o.	Poland	100.00	Deloitte
Entsorga Entsorgungs GmbH Nfg KG	Austria	100.00	Deloitte
FCC BEC s.r.o. (2)	Czech Republic	100.00	Deloitte
FCC Bratislava s.r.o. (3)	Slovakia	100.00	Deloitte
FCC Ceska Republika s.r.o. (4)	Czech Republic	100.00	Deloitte
FCC České Budějovice s.r.o. (5)	Czech Republic	75.00	Deloitte
FCC Dacice s.r.o. (6)	Czech Republic	60.00	Deloitte
FCC Eko d.o.o. (7)	Serbia	100.00	Deloitte
FCC HP s.r.o. (8)	Czech Republic	100.00	Deloitte
FCC Liberec s.r.o. (9)	Czech Republic	55.00	Deloitte
FCC Litovel s.r.o. (10)	Czech Republic	49.00	
FCC Magyarország Kft (11)	Hungary	100.00	Deloitte
FCC Neratovice s.r.o. (12)	Czech Republic	100.00	Deloitte
FCC Regios AS (13)	Czech Republic	99.99	Deloitte
FCC Slovensko s.r.o. (14)	Slovakia	100.00	Deloitte
FCC TRNAVA s.r.o. (15)	Slovakia	50.00	Deloitte
FCC Uhý s.r.o. (16)	Czech Republic	100.00	Deloitte
FCC Únanov s.r.o. (17)	Czech Republic	66.00	Deloitte
FCC Zabcice s.r.o. (18)	Czech Republic	80.00	Deloitte
FCC Zábovresky s.r.o. (19)	Czech Republic	89.00	Deloitte
FCC Znojmo s.r.o. (20)	Czech Republic	49.72	Deloitte
FCC Zohor s.r.o. (21)	Slovakia	85.00	Deloitte

Change of name. Formerly:

- 2) Bec Odpady s.r.o.
- 3) Technické Služby - .A.S.A. s.r.o.
- 4) .A.S.A. Spol s.r.o.
- 5) A.S.A. České Budějovice s.r.o.
- 6) .A.S.A. Dacice s.r.o.
- 7) .A.S.A. Eko d.o.o.
- 8) HP Spol s.r.o.
- 9) .A.S.A. Liberec s.r.o.
- 10) .A.S.A. Odpady Litovel s.r.o.
- 11) .A.S.A. Magyarország Környezetvédelemi És Hkft
- 12) I. Polasbská s.r.o.
- 13) Regios A.S.
- 14) .A.S.A. Slovensko Spol s.r.o.
- 15) .A.S.A. TRNAVA Spol s.r.o.
- 16) Skládka Uhý Spol s.r.o.
- 17) .A.S.A. Es Únanov s.r.o.
- 18) .A.S.A. Zabcice Spol s.r.o.
- 19) .A.S.A. Služby Zábovresky s.r.o.
- 20) .A.S.A. Eko Znojmo s.r.o.
- 21) .A.S.A. Zohor Spol s.r.o.

APPENDIX 1/4

Company	Registered office	Effective percentage of ownership	Auditor
Inerta Abfallbehandlungs GmbH	Austria	100.00	
Miejskie Przedsiębiorstwo Gospodarki Komunalnej sp. z o.o.	Poland	80.00	Deloitte
Obsed A.S.	Czech Republic	100.00	Deloitte
Quail spol. s r.o.	Czech Republic	100.00	Deloitte
RSUO Dobritch	Bulgaria	62.00	
Siewierskie Przedsiębiorstwo Gospodarki Komunalnej sp. z o.o.	Poland	60.00	
Textil Verwertung GmbH	Austria	100.00	
Valmax Impex S.R.L. (22)	Serbia	60.00	
FCC Environment Group	United Kingdom		
3C Holding Limited	United Kingdom	100.00	Deloitte
3C Waste Limited	United Kingdom	100.00	Deloitte
Allington O & M Services Limited	United Kingdom	100.00	Deloitte
Allington Waste Company Limited	United Kingdom	100.00	Deloitte
Anti-Waste (Restoration) Limited	United Kingdom	100.00	Deloitte
Anti-Waste Limited	United Kingdom	100.00	Deloitte
Arnold Waste Disposal Limited	United Kingdom	100.00	Deloitte
BDR Property Limited	United Kingdom	80.02	Deloitte
BDR Waste Disposal Limited	United Kingdom	100.00	Deloitte
Darrington Quarries Limited	United Kingdom	100.00	Deloitte
Derbyshire Waste Limited	United Kingdom	100.00	Deloitte
East Waste Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire Holdings Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire (Support Services) Limited	United Kingdom	100.00	Deloitte
FCC Environment (Berkshire) Ltd.	United Kingdom	100.00	Deloitte
FCC Environment (Lincolnshire) Ltd.	United Kingdom	100.00	Deloitte
FCC Environment (UK) Limited	United Kingdom	100.00	Deloitte
FCC Environment Limited	United Kingdom	100.00	Deloitte
FCC Environmental Services UK Limited	United Kingdom	100.00	
FCC PFI Holdings Limited	United Kingdom	100.00	Deloitte

22) Change of name. Formerly SC Valmax Impex S.R.L.

APPENDIX 1/5

Company	Registered office	Effective percentage of ownership	Auditor
FCC Recycling (UK) Limited	United Kingdom	100.00	Deloitte
FCC Waste Services (UK) Limited	United Kingdom	100.00	Deloitte
FCC Wrexham PFI (Phase II) Ltd.	United Kingdom	100.00	Deloitte
FCC Wrexham PFI (Phase II Holding) Ltd.	United Kingdom	100.00	Deloitte
FCC Wrexham PFI Holdings Limited	United Kingdom	100.00	Deloitte
FCC Wrexham PFI Limited	United Kingdom	100.00	Deloitte
Finstop Limited	United Kingdom	100.00	Deloitte
Focsa Services (UK) Limited	United Kingdom	100.00	
Hykeham O&M Services Limited	United Kingdom	100.00	Deloitte
Integrated Waste Management Limited	United Kingdom	100.00	Deloitte
Kent Conservation & Management Limited	United Kingdom	100.00	
Kent Energy Limited	United Kingdom	100.00	Deloitte
Kent Enviropower Limited	United Kingdom	100.00	Deloitte
Landfill Management Limited	United Kingdom	100.00	Deloitte
Lincwaste Limited	United Kingdom	100.00	Deloitte
Norfolk Waste Limited	United Kingdom	100.00	Deloitte
Pennine Waste Management Limited	United Kingdom	100.00	Deloitte
RE3 Holding Limited	United Kingdom	100.00	Deloitte
RE3 Limited	United Kingdom	100.00	Deloitte
Telford & Wrekin Services Limited	United Kingdom	100.00	Deloitte
T Shooter Limited	United Kingdom	100.00	Deloitte
Waste Recovery Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Central) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Scotland) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (UK) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Yorkshire) Limited	United Kingdom	100.00	Deloitte
Wastenotts (Reclamation) Limited	United Kingdom	100.00	Deloitte
Wastenotts O & M Services Limited	United Kingdom	100.00	Deloitte
Welbeck Waste Management Limited	United Kingdom	100.00	Deloitte
WRG (Midlands) Limited	United Kingdom	100.00	
WRG (Northern) Limited	United Kingdom	100.00	
WRG Acquisitions 2 Limited	United Kingdom	100.00	
WRG Environmental Limited	United Kingdom	100.00	
WRG Waste Services Limited	United Kingdom	100.00	

APPENDIX 1/6

Company	Registered office	Effective percentage of ownership	Auditor
Integraciones Ambientales de Cantabria, S.A.	Monte de Carceña Cr CA-924 Pk 3,280 – Castañeda (Cantabria)	90.00	Deloitte
International Services Inc., S.A. (Sole-Shareholder Company)	Av. Camino de Santiago, 40 – Madrid	100.00	
Jaime Franquesa, S.A.	P.I. Zona Franca Sector B calle D 49 – Barcelona	100.00	
Jaume Oro, S.L.	Av. del Bosc, s/n P.I. Hostal Nou – Bellpuig (Lleida)	100.00	
Limpieza e Higiene de Cartagena, S.A.	Luis Pasteur, 6 – Cartagena (Murcia)	90.00	Deloitte
Limpiezas Urbanas de Mallorca, S.A.	Ctra. Santa Margalida-Can Picafort – Santa Margalida (Balearic Islands)	100.00	Deloitte
Manipulación y Recuperación MAREPA, S.A.	Av. San Martín de Valdeiglesias, 22 – Alcorcón (Madrid)	100.00	Deloitte
Recuperació de Pedreres, S.L.	Rambla de Catalunya, 2 – Barcelona	80.00	
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.	Doctor Jiménez Rueda, 10 – Atarfe (Granada)	60.00	Capital Auditors
Serveis Municipals de Neteja de Girona, S.A.	Pl. del Vi, 1 - Girona	75.00	Cataudit Auditors Associats
Servicios de Levante, S.A.	Camino Pla Museros, s/n – Almazora (Castellón)	100.00	Deloitte
Servicios Especiales de Limpieza, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Sistemas y Vehículos de Alta Tecnología, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Societat Municipal Medioambiental d'Igualada, S.L.	Pl. de l'Ajuntament, 1 – Igualada (Barcelona)	65.91	Centium
Tratamientos y Recuperaciones Industriales, S.A.	Rambla de Catalunya, 2-4, P.5 – Barcelona	75.00	
Valoración y Tratamiento de Residuos Urbanos, S.A.	Riu Magre, 6 – P.I. Patada del Cid – Quart de Poblet (Valencia)	80.00	Capital Auditors
Valorización y Tratamiento de Residuos, S.A.	Alameda de Mazarredo, 15-4º A – Bilbao (Biscay)	100.00	

APPENDIX 1/7

Company	Registered office	Effective percentage of ownership	Auditor
AQUALIA			
Abrantaqua – Serviço de Aguas Residuais Urbanas do Município de Abrantes, S.A.	Portugal	60.00	Oliveira, Reis & Associados
Acque di Caltanissetta, S.p.A.	Italy	98.48	Deloitte
Aguas de Alcázar Empresa Mixta, S.A.	Rondilla Cruz Verde, 1 – Alcázar de San Juan (Ciudad Real)	52.38	Centium Auditores
Aguas de las Galeras, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
Aigües de Vallirana, S.A. (Sole-Shareholder Company)	Conca de Tremp, 14 – Vallirana (Barcelona)	100.00	
Aqua Campiña, S.A.	Av Blas Infante, 6 – Écija (Seville)	90.00	Audinfor
Aqua Management Solutions B.V.	The Netherlands	30.60	Deloitte
Aquacartaya, S.L.	Av. San Francisco Javier, 15 – Seville	100.00	Deloitte
Aquaelvas – Aguas de Elvas, S.A.	Portugal	100.00	Deloitte
Aquafundalia – Agua Do Fundão, S.A.	Portugal	100.00	Deloitte
Aquajerez, S.L.	Cristalería, 24. Pol. Ind. Ronda Oeste – Jerez de la Frontera (Cadiz)	51.00	Ernst & Young
Aqualia Czech, S.L.	Av. Camino de Santiago, 40 – Madrid	51.00	Deloitte
Aqualia Infraestructuras d.o.o. Beograd-Vracar	Serbia	100.00	
Aqualia Infraestructuras d.o.o. Mostar	Bosnia-Herzegovina	100.00	
Aqualia Infraestructuras Inzenyring, s.r.o.	Czech Republic	51.00	ABC Audit s.r.o.
Aqualia Infraestructuras Montenegro (AIM) d.o.o. Niksic	Montenegro	100.00	
Aqualia Infraestructuras Pristina Llc.	Kosovo	100.00	
Aqualia Intech, S.A. (23)	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
Aqualia Mace Operation & Maintenance Llc.	United Arab Emirates (UAE)	51.00	Deloitte
Aqualia Mexico, S.A. de C.V. (24)	Mexico	100.00	Deloitte
Aqualia New Europe B.V.	The Netherlands	51.00	Deloitte
Aquamaior – Aguas de Campo Maior, S.A.	Portugal	100.00	Deloitte
Cartagua, Aguas do Cartaxo, S.A.	Portugal	60.00	Oliveira, Reis & Associados
Colaboración, Gestión y Asistencia, S.A.	Federico Salmón, 13 – Madrid	100.00	

Change of name. Formerly:

23) Aqualia Infraestructuras, S.A.

24) Aqualia Infraestructuras de México, S.A. de C.V.

APPENDIX 1/8

Company	Registered office	Effective percentage of ownership	Auditor
Compañía Onubense de Aguas, S.A.	Av. Martín Alonso Pinzón, 8 – Huelva	60.00	
Conservación y Sistemas, S.A.	Federico Salmón, 13– Madrid	100.00	Deloitte
Depurplan 11, S.A.	San Miguel, 4 3º B – Zaragoza	100.00	Audinfor
Depurtebo, S.A.	San Pedro, 57 – Zuera (Zaragoza)	100.00	
Empresa Gestora de Aguas Linenses, S.A.	Federico Salmón, 13 – Madrid	100.00	
Empresa Mixta de Conservación de La Estación Depuradora de Aguas Residuales de Butarque, S.A.	Princesa, 3 – Madrid	70.00	
Entenmanser, S.A.	Castillo, 13 – Adeje (Santa Cruz de Tenerife)	97.00	Deloitte
FCC Aqualia, S.A.	Federico Salmón, 13– Madrid	100.00	Deloitte
FCC Aqualia América, S.A.U.	Uruguay, 11– Vigo (Pontevedra)	100.00	
FCC Aqualia U.S.A. Corp	USA	100.00	Berkowitz Pollack Brant
F.S. Colaboración y Asistencia, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Hidrotec Tecnología del Agua, S.L. (Sole-Shareholder Company)	Pincel, 25 – Seville	100.00	Deloitte
Infraestructuras y Distribución General de Aguas, S.L.U.	La Presa, 14 – Adeje (Santa Cruz de Tenerife)	100.00	
Inversora Riutort, S.L.	Alfonso XIII – Sabadell (Barcelona)	100.00	
Ovod spol. s.r.o.	Czech Republic	100.00	ABC Audit s.r.o.
Severomoravské Vodovody a Kanalizace Ostrava A.S.	Czech Republic	50.32	Deloitte
Sociedad Española de Aguas Filtradas, S.A.	Jacometrezo, 4 – Madrid	100.00	Deloitte
Sociedad Ibérica del Agua, S.A. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	
Tratamiento Industrial de Aguas Sucursales, S.A. (25)	Federico Salmón, 13 – Madrid	100.00	Deloitte

CONSTRUCTION

ACE Scutmadeira Sistemas de Gestao e Controlo de Tráfego	Portugal	100.00	
Agregados y Materiales de Panama, S.A.	Panama	100.00	Deloitte
Alpine – Energie Holding AG	Germany	100.00	
Áridos de Melo, S.L.	Finca la Barca y el Ballestar, s/n – Barajas de Melo (Cuenca)	100.00	
BBR Pretensados y Técnicas Especiales, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Binatec al Maghreb, S.A.	Morocco	100.00	
Colombiana de Infraestructuras, S.A.S.	Colombia	100.00	
Concesiones Viales S. de R.L. de C.V.	Mexico	99.97	Deloitte
Concretos Estructurales, S.A.	Nicaragua	100.00	
Conservial Infraestructuras, S.L.	Acanto, 22 – Madrid	100.00	

25) Change of name. Formerly Tratamiento Industrial de Aguas, S.A.

APPENDIX 1/9

Company	Registered office	Effective percentage of ownership	Auditor
Consorcio FCC Iquique Ltda.	Chile	100.00	
Construcción Infraestructuras y Filiales de Mexico, S.A. de C.V.	Mexico	52.00	
Construcciones Hospitalarias, S.A.	Panama	100.00	Deloitte
Constructora Meco-Caabsa, S.A. de C.V.	El Salvador	60.00	
Constructora Túnel de Coatzacoalcos, S.A. de C.V.	Mexico	55.60	Deloitte
Contratas y Ventas, S.A.	Av. de Santander, 3 1º – Oviedo (Asturias)	100.00	Deloitte
Corporación M&S de Nicaragua, S.A.	Nicaragua	100.00	
Desarrollo y Construcción Deyco CRCA, S.A.	Costa Rica	100.00	
Edificadora MSG, S.A. (Panama)	Panama	100.00	
Edificadora MSG, S.A. de C.V. (El Salvador)	El Salvador	100.00	
Edificadora MSG, S.A. de C.V. (Nicaragua)	Nicaragua	100.00	
Eólica Catvent, S.L.	Balmes, 36 – Barcelona	80.04	
FCC Colombia, S.A.S.	Colombia	100.00	
FCC Construcción, S.A.	Balmes, 36 – Barcelona	100.00	Deloitte
FCC Construcción América, S.A.	Costa Rica	100.00	Deloitte
FCC Construcción Chile, SPA	Chile	100.00	
FCC Construcción Costa Rica, S.A.	Costa Rica	100.00	Deloitte
FCC Construcción de Mexico, S.A. de C.V. (26)	Mexico	100.00	Deloitte
FCC Construcción Peru, S.A.C.	Peru	100.00	
FCC Construções do Brazil Ltda.	Brazil	100.00	
FCC Constructii Romania, S.A.	Rumanía	100.00	
FCC Construction Hungary Kft	Hungary	100.00	Deloitte
FCC Construction Inc.	USA	100.00	Berkowitz Pollack Brant
FCC Construction International B.V.	The Netherlands	100.00	
FCC Construction Northern Ireland Limited	United Kingdom	100.00	Deloitte
FCC Edificadora CR, S.A.	Costa Rica	100.00	
FCC Electromechanical Llc.	Arabia Saudí	100.00	Ernst & Young

APPENDIX I/10

Company	Registered office	Effective percentage of ownership	Auditor
FCC Elliott Construction Limited	Ireland	100.00	Deloitte
FCC Elliott UK Limited	United Kingdom	50.10	
FCC Industrial de Panama, S.A.	Panama	100.00	
FCC Industrial e Infraestructuras Energéticas, S.A. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Industrial Peru, S.A.	Peru	100.00	
FCC Industrial UK Limited	United Kingdom	100.00	
FCC Power Generation, S.L. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	
FCC Servicios Industriales y Energéticos Mexico, S.A. de C.V.	Mexico	100.00	Deloitte
Fomento de Construcciones y Contratas Canada Ltd.	Canada	100.00	
Fomento de Construcciones y Contratas Construction Ireland Limited	Ireland	100.00	Deloitte
Gavisa Portugal Montagens Eléctricas Lda.	Portugal	97.00	
Guinea Ecuatorial Fomento de Construcciones y Contratas Construcción, S.A.	Guinea Ecuatorial	65.00	
Guzmán Energy O&M, S.L.	Federico Salmón, 13 – Madrid	70.00	
Ibervia Construcciones y Contratas, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Impulsora de Proyectos Proserme, S.A. de C.V.	Mexico	100.00	
Mantenimiento de Infraestructuras, S.A.	Federico Salmón, 13 – 2 nd fl. – Madrid	100.00	Deloitte
Meco Santa Fe Limited	Belize	100.00	
Megaplás, S.A. (Sole-Shareholder Company)	Hilanderas, 4-14 – La Poveda – Arganda del Rey (Madrid)	100.00	Deloitte
Megaplás Italy, S.p.A.	Italy	100.00	Collegio Sindicale
Motre, S.L.	Balmes, 36 – Barcelona	100.00	
Moviterra, S.A.	Balmes, 36 – Barcelona	100.00	
Naturaleza, Urbanismo y Medio Ambiente, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Participaciones Teide, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Pedreria Les Gavarres, S.L.	Balmes, 36 – Barcelona	100.00	
Prefabricados Delta, S.A. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	Deloitte
Proyectos y Servicios, S.A. (Sole-Shareholder Company)	Acanto, 22 – Madrid	100.00	

APPENDIX I/11

Company	Registered office	Effective percentage of ownership	Auditor
Ramalho Rosa Cobetar Sociedade de Construções, S.A.	Portugal	100.00	Deloitte
Serviá Cantó, S.A.	Balmes, 36 – Barcelona	100.00	
Servicios Dos Reis, S.A. de C.V.	Mexico	100.00	
Tema Concesionaria, S.A.	Porto Pi, 8– Palma de Mallorca (Balearic Islands)	100.00	
CEMENT			
Canteras de Alaiz, S.A.	Dormilateria, 72 – Pamplona (Navarre)	55.39	Deloitte
Carbocem, S.A.	Paseo de la Castellana, 45 – Madrid	55.14	
Cementos Alfa, S.A.	Josefina de la Maza, 4 P.E. Piasca – Santander (Cantabria)	69.66	Deloitte
Cementos Portland Valderrivas, S.A.	Dormilateria, 72 – Pamplona (Navarre)	79.11	Deloitte
Dragon Alfa Cement Limited	United Kingdom	69.66	Deloitte
Dragon Portland Limited	United Kingdom	79.11	
Hormigones de la Jacetania, S.A.	Llano de la Victoria – Jaca (Huesca)	49.45	KPMG
Prebesec Mallorca, S.A.	Santa Margarida i els Monjos (Barcelona)	54.16	
Select Beton, S.A.	Tunis	69.49	Mourad Guellaty
Société des Ciments d’Enfidha	Tunis	69.51	Mourad Guellaty – Cabinet Deloitte
Uniland Acquisition Corporation	USA	79.11	
Uniland International B.V.	The Netherlands	79.11	
Uniland Trading B.V.	The Netherlands	79.11	

APPENDIX I/12

Company	Registered office	Effective percentage of ownership	Auditor
OTHER ACTIVITIES			
Alpetrol, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
Asesoría Financiera y de Gestión, S.A.	Federico Salmón, 13 – Madrid	100.00	
Autovía Conquense, S.A.	Acanto, 22 – Madrid	100.00	
Bvefdomintaena Beteiligungsverwaltung GmbH	Austria	100.00	
Cemusa Portugal Companhia de Mobiliario Urbano e Publicidade, S.A.	Portugal	100.00	PricewaterhouseCoopers
Compañía General de Servicios Empresariales, S.A. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	Deloitte
Concesionaria Túnel de Coatzacoalcos, S.A. de C.V.	Mexico	85.59	
Corporación Española de Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	
Costa Verde Habitat, S.L.	Orense, 11 – Madrid	100.00	
Europea de Gestión, S.A. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	PricewaterhouseCoopers
F-C y C, S.L. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	
FCC Concesiones de Infraestructuras, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
FCC Energía Aragón I, S.L. (Sole-Shareholder Company)	Manuel Lasala, 36 – Zaragoza	100.00	
FCC Energía Aragón II, S.L. (Sole-Shareholder Company)	Manuel Lasala, 36 – Zaragoza	100.00	Deloitte
FCC Versia, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Fedemes, S.L.	Federico Salmón, 13 – Madrid	100.00	
Geneus Canarias, S.L. (Sole-Shareholder Company)	Electricista, 2. U.I. de Salinetas – Telde (Las Palmas) (Canary Islands)	100.00	
Geral I.S.V. Brazil Ltda.	Brazil	100.00	PricewaterhouseCoopers
Per Gestora Inmobiliaria, S.L.	Federico Salmón, 13 – Madrid	100.00	
PPP Infrastructure Investments B.V.	The Netherlands	100.00	
Vela Boravica d.o.o.	Croatia	100.00	
Vialia, Sociedad Gestora de Concesiones de Infraestructuras, S.L.	Acanto, 22 – Madrid	100.00	PricewaterhouseCoopers
Zona Verde – Promoção e Marketing Limitada	Portugal	100.00	

COMPANIES CONTROLLED JOINTLY WITH NON-GROUP THIRD PARTIES

(ACCOUNTED FOR USING THE EQUITY METHOD)

C o m p a n y	Registered office	Carrying amount of the investment		Effective percentage of ownership	Auditor
		2016	2015		
ENVIRONMENTAL SERVICES					
Atlas Gestión Medioambiental, S.A.	Viriato, 47 – Barcelona	12,557	12,905	50.00	Deloitte
Beacon Waste Limited	United Kingdom	1,415	1,700	50.00	Deloitte
Ecoparc del Besós, S.A.	Rambla Catalunya, 91-93 – Barcelona	6,033	5,833	49.00	Castellà Auditors Consultors S.L.P.
Ecoserveis Urbans de Figueres, S.L.	Av. de les Alegries, s/n – Lloret de Mar (Girona)	179	179	50.00	
Electrorecycling, S.A.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	1,386	1,370	33.33	KPMG
Empresa Mixta de Limpieza de la Villa de Torrox, S.A.	Plaza de la Constitución, 1 – Torrox (Malaga)	690	531	50.00	Audinfo
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A.	Av. Zorreras, 8 – Rincón de la Victoria (Malaga)	271	287	50.00	Audinfo
Fisera Ecoserveis, S.A.	Alemanya, 5 – Figueres (Girona)	218	191	36.36	Auditoria i Control Auditors S.L.P.
Gestión y Valorización Integral del Centro, S.L.	De la Tecnología, 2. P.I. Los Olivos – Getafe (Madrid)	222	108	50.00	Deloitte
Hades Soluciones Medioambientales, S.L.	Mayor, 3 – Cartagena (Murcia)	(19)	60	50.00	
Ingenieria Urbana, S.A.	Calle l esquina calle 3, P.I. Pla de la Vallonga – Alicante	4,287	4,471	35.00	
Mediaciones Comerciales Ambientales, S.L.	Av. Roma, 25 – Barcelona	194	393	50.00	
Mercia Waste Management Ltd.	United Kingdom	14,855	14,804	50.00	Deloitte
Palacio de Exposiciones y Congresos de Granada, S.A.	Paseo del Violón, s/n – Granada	(1,062)	(930)	50.00	Hispano Belga Auditores
Pilagest, S.L.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	281	56	50.00	Audinfo
Reciclado de Componentes Electrónicos, S.A.	E Pol. Actividades Medioambientales – Aznalcóllar (Seville)	2,332	2,361	37.50	KPMG
Senblen, S.A.	Alameda de Urquijo, 10 – Bilbao (Biscay)	—	(90)	50.00	
Servicios de Limpieza Integral de Malaga III, S.A.	Camino Térmica, 83 – Malaga	1,563	1,619	26.01	PricewaterhouseCoopers
Servicios Urbanos de Malaga, S.A.	Ulises, 18 – Madrid	363	367	51.00	
Severn Waste Services Limited	United Kingdom	178	202	50.00	Deloitte
Tratamiento Industrial de Residuos Sólidos, S.A.	Rambla Catalunya, 91 – Barcelona	585	849	33.33	Castellà Auditors Consultors, S.L.P.
Zabalgarbi, S.A.	Camino de Artigas, 10 – Bilbao (Biscay)	13,390	11,879	30.00	KPMG

APPENDIX II/2

C o m p a n y	Registered office	Carrying amount of the investment		Effective percentage of ownership	Auditor
		2016	2015		
<u>AQUALIA</u>					
Aguas de Langreo, S.L.	Alonso del Riesgo, 3 – Sama de Langreo (Asturias)	874	857	49.00	Audinfo
Aguas de Narixa, S.A.	Malaga, 11 – Nerja (Malaga)	274	293	50.00	Audinfo
Aigües de Girona, Salt i Sarrià del Ter, S.A.	Ciutadans, 11 – Girona	255	214	26.89	Cataudit Auditors Associats, S.L.
Compañía de Servicios Medioambientales do Atlántico, S.A.	Ctra. de Cedeira Km. 1 – Narón (Corunna)	343	342	49.00	Audinfo
Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.	Mexico	(2,995)	(1,012)	24.50	Deloitte
Empresa Municipal de Aguas de Benalmádena EMABESA, S.A.	Exp. Ap. Tivoli, s/n – Arroyo de la Miel (Malaga)	1,583	1,936	50.00	Audinfo
Girona, S.A.	Travesía del Carril, 2 – Girona	1,831	1,800	33.61	Cataudit Auditors Associats, S.L.
HA Proyectos Especiales Hidráulicos S. de R.L. de C.V.	Mexico	1,111	200	49.50	Grant Thorton SC
Orasqualia Construction, S.A.E.	Egypt	135	(160)	50.00	KPMG
Orasqualia for the Development of the Waste Water Treatment Plant S.A.E.	Egypt	8,942	19,779	27.95	Deloitte
Orasqualia Operation and Maintenance S.A.E.	Egypt	547	657	50.00	Deloitte
<u>CONSTRUCTION</u>					
Administración y Servicios Grupo Zapotillo, S.A. de C.V.	Mexico	81	87	50.00	
Ctra. Cabo San Lucas San José, S.A. de C.V.	Mexico	—	(753)	50.00	Deloitte
Construcciones Olabarri, S.L.	Ripa, 1 – Bilbao (Biscay)	5,146	4,571	49.00	Charman Auditores
Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.	Mexico	—	(992)	24.50	Deloitte
Constructora Durango Mazatlán, S.A. de C.V.	Mexico	940	1,254	51.00	Deloitte
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	Mexico	(33,387)	(31,505)	40.00	Deloitte
Constructores del Zapotillo, S.A. de C.V.	Mexico	1,417	1,628	50.00	Salles Sainz Grant Thornton
Dragados FCC Canada Inc.	Canada	(528)	(531)	50.00	
Elaboración de Cajones Pretensados, S.L.	Av. General Perón, 36 – Madrid	2	2	50.00	
Integral Management Future Renewables, S.L.	A Condomiña, s/n – Ortoño (Corunna)	2,405	2,339	50.00	Deloitte
Marina de Laredo, S.A.	Pasaje de Puntida, 1 – Santander (Cantabria)	(1)	332	50.00	
North Tunnels Canada Inc.	Canada	(9,013)	(8,460)	50.00	
OHL Co Canada & FCC Canada Ltd. Partnership	Canada	(70,531)	(62,268)	50.00	
Peri 3 Gestión, S.L.	General Álava, 26 – Vitoria-Gasteiz (Álava)	2	2	50.00	
Servicios Empresariales Durango-Mazatlán, S.A. de C.V.	Mexico	134	161	51.00	

APPENDIX II/3

C o m p a n y	Registered office	Carrying amount of the investment		Effective percentage of ownership	Auditor
		2016	2015		
<u>CEMENT</u>					
Carbocem, S.A.	Paseo de la Castellana, 45 – Madrid	73	73	55.12	
Pedreira de l’Ordal, S.L.	Ctra. N 340 km. 1229,5 La Creu del L’Ordal – Subirats (Barcelona)	2,470	3,768	39.56	Deloitte
<u>OTHER ACTIVITIES</u>					
Ibisan Sociedad Concesionaria, S.A.	Porto Pi, 8 – Palma de Mallorca (Balearic Islands)	6,165	9,053	50.00	
MDM-Teide, S.A.	Panama	351	1,308	50.00	
Proyecto Front Marítim, S.L.	Paseo de Gracia, 120 – Barcelona	(8,150)	(6,695)	50.00	
Sociedad Concesionaria Tranvía de Murcia, S.A.	Olof Palmer, s/n – Murcia	18,477	18,409	50.00	
FM Green Power Investments Subgroupe		7,228	7,278		
Enestar Villena, S.A.	Maestro Chanzá, 3 – Villena (Alicante)	—	—	28.32	Ernst & Young
Ethern Electric Power, S.A.	Paseo de la Castellana, 91 11 th fl. – Madrid	—	—	49.00	Ernst & Young
Estructuras Energéticas Generales, S.A. (Sole-Shareholder Company)	Paseo de la Castellana, 91 11 th fl. – Madrid	—	—	49.00	
Evacuación Villanueva del Rey, S.L.	Av. de la Buhaira, 2 – Seville	—	—	6.28	
FM Green Power Investments, S.L.	Velázquez, 47 7 th fl. – Madrid	—	—	49.00	Ernst & Young
Guzmán Energía, S.A.	c/Portada, 11 – Palma del Río (Córdoba)	—	—	34.30	Ernst & Young Ernst & Young
Helios Patrimonial 1, S.L. (Sole-Shareholder Company)	Paseo de la Castellana, 91 11 th fl. – Madrid	—	—	49.00	
Helios Patrimonial 2, S.L. (Sole-Shareholder Company)	Paseo de la Castellana, 91 11 th fl. – Madrid	—	—	49.00	Ernst & Young
Olivento, S.L. (Sole-Shareholder Company)	Paseo de la Castellana, 91 11 th fl. – Madrid	—	—	49.00	Ernst & Young
Teide-MDM Quadrat, S.A.	Panama	327	233	50.00	
TOTAL VALUE OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD (JOINT VENTURES)		(3,574)	23,359		

ASSOCIATES (ACCOUNTED FOR USING THE EQUITY METHOD)

C o m p a n y	Registered office	Carrying amount of the investment		Effective percentage of ownership	Auditor
		2016	2015		
ENVIRONMENTAL SERVICES					
Aprochim Getesarp Rymoil, S.A.	P.I. Logrenzana La Granda – Carreño (Asturias)	841	867	23.49	Menéndez Auditores
Aragonesa de Gestión de Residuos, S.A.	Paseo María Agustín, 36 – Zaragoza	10	13	12.00	PricewaterhouseCoopers y Vilalba, Envid y Cia. Auditores, S.L.P.
Aragonesa de Tratamientos Medioambientales XXI, S.A.	Ctra. Castellón Km. 58 – Zaragoza	610	610	33.00	
Betearte, S.A.U.	Cr. BI – 3342 pk 38 Alto de Areitio – Mallabia (Biscay)	191	485	33.33	PKF Attest
Gestión Integral de Residuos Sólidos, S.A.	Profesor Beltrán Báquena, 4 – Valencia	5,182	5,216	49.00	Fides Auditores, S.L.
.A.S.A. Groupe		5,859	5,780		
.A.R.K. Technicke Sluzby s.r.o.	Slovakia	—	—	50.00	Deloitte
A.K.S.D. Városgazdálkodási Korlátolt FT	Hungary	—	—	25.50	Interauditor
ASTV s.r.o.	Czech Republic	—	—	49.00	
FCC + NHSZ Környezetvédelmi HKft (27)	Hungary	—	—	50.00	Interauditor
FCC Hlohovec s.r.o. (28)	Eslovaquia	—	—	50.00	
Huber Abfallservice Verwaltungs GmbH	Austria	—	—	49.00	
Huber Entsorgungs GmbH Nfg KG	Austria	—	—	49.00	
Killer GmbH	Austria	—	—	50.00	
Killer GmbH & Co KG	Austria	—	—	50.00	Rittmann
Recopap s.r.o.	Slovakia	—	—	50.00	Deloitte
Technické a Stavební Sluzby AS	Czech Republic	—	—	50.00	
Tirme Groupe		4,456	8,358		
Balear de Trituracions, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic Islands)	—	—	10.40	
MAC Insular, S.L.	Camí Son Reus. Ctra. De Soller Km. 8,2 – Bunyola (Balearic Islands)	—	—	14.00	Deloitte
MAC Insular Segunda, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic Islands)	—	—	15.00	
Tirme, S.A.	Ctra. Soller Km. 8,2 Camino de Son Reus – Palma de Mallorca (Balearic Islands)	—	—	20.00	Deloitte
Sogecar, S.A.	Polígono Torrelarragoiti – Zamudio (Biscay)	280	312	30.00	

Change of name. Formerly

27) .A.S.A. + NHSZ Környezetvédelmi HKft

28) .A.S.A. Hlohovec s.r.o.

APPENDIX III/2

C o m p a n y	Registered office	Carrying amount of the investment		Effective percentage of ownership	Auditor
		2016	2015		
AQUALIA					
Aguas de Archidona, S.L.	Pz. Ochavada, 1 – Archidona (Malaga)	75	60	48.00	Centium Auditores
Aguas de Denia, S.A.	Pedro Esteve, 17 – Denia (Alicante)	400	401	33.00	
Aguas de Priego, S.L.	Pz. de la Constitución, 3 – Priego de Córdoba (Córdoba)	(104)	(18)	49.00	Audinfor
Aguas de Ubrique, S.A.	Av. España, 9 – Ubrique (Cadiz)	—	(1)	49.00	
Aguas del Puerto Empresa Municipal, S.A.	Aurora, 1 – El Puerto de Santa María (Cadiz)	3,860	3,808	48.98	
Aigües de Blanes, S.A.	Canigó, 5 – Blanes (Girona)	50	56	16.47	CD Auditors
Aigües del Segarra Garrigues, S.A.	Av. de Tarragona, 6 – Tárrega (Lleida)	—	—	1.00	Deloitte
Aigües del Tomoví, S.A.	Pz. Vella, 1 – El Vendrell (Tarragona)	508	524	49.00	GM Auditors
Aqualia Mace Operation & General Maintenance Llc.	United Arab Emirates (UAE)	—	385	51.00	Deloitte
Aquos El Realito, S.A. de C.V.	Mexico	5,884	4,910	49.00	Deloitte Mexico
Concesionaria de Desalación de Ibiza, S.A.	Rotonda de Santa Eulalia, s/n – Ibiza (Balearic Islands)	1,226	1,327	50.00	BDO Auditores
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	Mexico	(5,395)	(5,666)	24.50	Deloitte
EMANAGUA Empresa Mixta Municipal de Aguas de Nijar, S.A.	Pz. de la Glorieta, 1 – Nijar (Almería)	277	220	49.00	Centium Auditores
Empresa Mixta de Aguas de Ubrique, S.A.	Juzgado s/n (Ed. Serv. Múltiples PL4) – Ubrique (Cadiz)	76	53	49.00	Deloitte
Empresa Municipal de Aguas de Algeciras, S.A.	Av. Virgen del Carmen – Algeciras (Cadiz)	201	186	49.00	Abante Unicontrol Auditores, S.L.P.
Empresa Mixta de Aguas de Jodar, S.A.	Pz. España, 1 – Jodar (Jaén)	16	(34)	49.00	Centium Auditores
Empresa Municipal de Aguas de Linares, S.A.	Cid Campeador, 7 – Linares (Jaén)	186	482	49.00	Centium Auditores
Empresa Municipal de Aguas de Toxiria, S.A.	Pz. de la Constitución – Torredonjimeno (Jaén)	78	76	49.00	Centium Auditores
Nueva Sociedad de Aguas de Ibiza, S.A.	Av. Bartolomé Roselló, 18 – Ibiza (Balearic Islands)	82	61	40.00	
Operadora El Realito, S.A. de C.V.	Mexico	47	27	15.00	Ernst & Young
Prestadora de Servicios Acueducto El Realito, S.A.de C.V.	Mexico	1	1	24.50	
Proveïments d’Aigua, S.A.	Astúries, 9 – Girona	433	397	15.12	Antoni Riera Economistes Auditors
Sera Q A Duitama E.S.P., S.A.	Colombia	21	16	30.60	
Shariket Miyeh Ras Djinet, S.P.A.	Argelia	12,178	10,371	25.50	Mustapha Heddad
Shariket Tahlya Miyah Mostaganem, S.P.A.	Argelia	32,464	28,090	25.50	Mustapha Heddad
Suministro de Agua de Querétaro, S.A. de C.V.	Mexico	9,213	11,223	25.00	Deloitte

APPENDIX III/3

C o m p a n y	Registered office	Carrying amount of the investment		Effective percentage of ownership	Auditor
		2016	2015		
CONSTRUCTION					
Agrenic Complejo Industrial Nindiri, S.A.	Nicaragua	3,153	2,982	50.00	Deloitte
Aigües del Segarra Garrigues, S.A.	Av. de Tarragona, 6 – Tárrega (Lleida)	6,388	6,001	24.68	Deloitte
Autopistas del Valle, S.A.	Costa Rica	—	1,323	48.00	
Baross Ter Ingatlanprojekt-Fejlesztzo Kft	Hungary	409	400	20.00	
BBR VT International Ltd.	Suiza	—	1,680	22.50	
Cafig Constructores, S.A. de C.V.	Mexico	226	—	45.00	
Cleon, S.A.	Av. General Perón, 36 – Madrid	24,937	—	25.00	KPMG
Construcciones y Pavimentos, S.A.	Panama	5	5	50.00	
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	Mexico	(1)	(5,465)	24.50	Deloitte
Constructora San José – Caldera CSJC, S.A.	Costa Rica	1,636	3,435	50.00	Deloitte
Constructora San José – San Ramón SJSR, S.A.	Costa Rica	872	—	50.00	
Desarrollo Cuajimalpa, S.A. de C.V.	Mexico	6	1,936	25.00	
Design Build and Operation, S.L.	Av. Eduardo Dato, 69 – Seville	8	7	40.00	
EFI Túneles Necaxa, S.A. de C.V.	Mexico	552	294	45.00	
FCC Américas, S.A. de C.V.	Mexico	1	—	50.00	
Foment de Construccions i Consulting Group	Andorra	—	(22)	33.30	
Horizontes de Vías y Señales Centroamérica, S.A.	Costa Rica	—	85	50.00	
Horizontes de Vías y Señales Panama, S.A.	Panama	—	106	25.00	
M50 (D&C) Limited	Ireland	(3,273)	(3,233)	42.50	
Metro de Malaga, S.A.	Camino de Santa Inés, s/n – Malaga	—	13,673	10.01	
N6 (Construction) Limited	Ireland	(38,412)	(38,416)	42.50	
Prestadora de Servicios Acueducto El Realito, S.A. de C.V.	Mexico	1	1	24.50	
Promvias XXI, S.A.	Vía Augusta, 255 Local 4 – Barcelona	1	1	25.00	
Teide Gestión del Sur, S.L.	Av. Camino de Santiago, 40 – Madrid	—	(1,770)	49.94	
Terminal Polivalente de Huelva, S.A.	La Marina, 29 - Huelva	—	(263)	31.50	
Urbs Iustitia Commodo Opera, S.A.	Av. Carrilet, 3 – L’Hospitalet de Llobregat (Barcelona)	—	527	35.00	

APPENDIX III/4

C o m p a n y	Registered office	Carrying amount of the investment		Effective percentage of ownership	Auditor
		2016	2015		
CEMENT					
Aplicaciones Minerales, S.A.	Camino Fuente Herrero – Cueva Cardiel (Burgos)	400	377	27.35	
Canteras y Hormigones VRE, S.A.	Arieta, 13 – Estella (Navarre)	(690)	311	39.56	KPMG
Giant Group		48,866	—		
Coastal Cement Corporation	USA	—	—	35.60	
Dragon Energy Llc.	USA	—	—	35.60	
Dragon Products Company Inc.	USA	—	—	35.60	
Giant Cement Company	USA	—	—	35.60	
Giant Cement Holding Inc.	USA	—	—	35.60	Deloitte
Giant Cement NC Inc.	USA	—	—	35.60	
Giant Cement Virginia Inc.	USA	—	—	35.60	
Giant Resource Recovery Inc.	USA	—	—	35.60	
Giant Resource Recovery – Arvonía Inc.	USA	—	—	35.60	
Giant Resource Recovery – Attalla Inc.	USA	—	—	35.60	
Giant Resource Recovery – Harleyville, Inc.	USA	—	—	35.60	
Giant Resource Recovery – Sumter Inc.	USA	—	—	35.60	
Keystone Cement Company	USA	—	—	35.60	
Sechem Inc.	USA	—	—	35.60	
Hormigones Castro, S.A.	Ctra. Irún-Corunna Km. 153 – Islares (Cantabria)	328	310	27.87	
Hormigones del Baztán, S.L.	Estella, 6 – Pamplona (Navarre)	519	554	39.56	
Hormigones Delfín, S.A.	Venta Blanca – Peralta (Navarre)	388	391	39.56	
Hormigones en Masa de Valtierra, S.A.	Ctra. Cadreita Km. 0 – Valtierra (Navarre)	1,601	1,648	39.56	
Hormigones Galizano, S.A.	Ctra. Irún – Corunna Km. 184 – Gama (Cantabria)	156	159	34.83	
Hormigones Reinares, S.A.	Praje Murillo de Calahorra, s/n – Calahorra (La Rioja)	524	508	39.56	
Hormigones y Áridos del Pirineo Aragonés, S.A.	Ctra. Biescas – Sabiñánigo (Huesca)	5,975	5,725	39.56	KPMG
Lázaro Echevarría, S.A.	Isidoro Melero – Alsasua (Navarre)	8,806	9,322	22.16	KPMG
Navarre de Transportes, S.A.	Ctra. Pamplona-Vitoria Km. 52 – Olazagutia (Navarre)	624	926	26.37	KPMG
Novhorvi, S.A.	Portal de Gamarra, 25 – Vitoria – Gasteiz (Alava)	117	141	19.78	
Portcemen, S.A.	Muelle Contradique Sur-Puerto Barcelona – Barcelona	1,316	1,162	26.37	
Terminal Cimentier de Gabes-Gie	Tunis	51	57	23.17	Ernst & Young
Vescem-LID, S.L.	Valencia, 245 – Barcelona	41	41	19.78	

APPENDIX III/5

C o m p a n y	Registered office	Carrying amount of the investment		Effective percentage of ownership	Auditor
		2016	2015		
<u>OTHER ACTIVITIES</u>					
Cleon, S.A.	Av. General Perón, 36 – Madrid	—	24,949	25.00	KPMG
Concesionaria Atención Primaria, S.A.	Plaza Es Fortí, 4 – Palma de Mallorca (Balearic Islands)	2,438	2,133	33.00	
Concessió Estacions Aeroport L9, S.A.	Av. Carrilet, 3 Edificio D – L’Hospitalet de Llobregat (Barcelona)	(9,908)	(16,908)	49.00	
Cedinsa Concesionaria Group		12,853	20,664	34.00	
Cedinsa Concesionaria, S.A.	Tarragona, 141 – Barcelona	—	—	34.00	
Cedinsa Conservació, S.L. (Sole-Shareholder Company)	Tarragona, 141 – Barcelona	—	—	34.00	
Cedinsa d’Aro Concessionària de la Generalitat de Catalunya, S.A. (Sole-Shareholder Company)	Tarragona, 141 – Barcelona	—	—	34.00	
Cedinsa Eix del Llobregat Concessionària de la Generalitat de Catalunya, S.A. (Sole-Shareholder Company), S.A.	Tarragona, 141 – Barcelona	—	—	34.00	
Cedinsa Eix Transversal Concessionària de la Generalitat de Catalunya, S.A. (Sole-Shareholder Company), S.A.	Tarragona, 141 – Barcelona	—	—	34.00	
Cedinsa Ter Concessionària de la Generalitat de Catalunya, S.A. (Sole-Shareholder Company), S.A.	Tarragona, 141 – Barcelona	—	—	34.00	
Realia Business Group	Paseo de la Castellana, 216 – Madrid	206,032	120,189		
As Cancelas Siglo XXI, S.L.	Paseo de la Castellana, 216 – Madrid	—	—	18.48	Deloitte
Boane 2003, S.A. (Sole-Shareholder Company)	Paseo de la Castellana, 41 – Madrid	—	—	18.03	Deloitte
Desarrollo Urbanístico Seville Este, S.L.	Pz. De las Naciones Edif. Alfar – Mairena de Aljarafe (Seville)	—	—	11.28	Deloitte
Guillena Golf, S.L. (Sole-Shareholder Company)	Paseo de la Castellana, 216 – Madrid	—	—	36.96	Deloitte
Hermanos Revilla, S.A.	Paseo de la Castellana, 41 – Madrid	—	—	18.03	Deloitte
Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L.	Paseo de la Castellana, 93 – Madrid	—	—	12.33	Deloitte
Planiges, S.A.	Paseo de la Castellana, 216 – Madrid	—	—	28.09	Deloitte
Realia Business Portugal – Unipessoal Lda.	Portugal	—	—	36.96	Deloitte
Realia Business, S.A.	Paseo de la Castellana, 216 – Madrid	—	—	36.96	Deloitte
Realia Contesti, S.R.L.	Rumanía	—	—	36.96	Deloitte
Realia Patrimonio S.L.U.	Paseo de la Castellana, 216 – Madrid	—	—	36.96	Deloitte
Realia Polska Inwestycje Spolka z.o.o.	Poland	—	—	36.96	Deloitte
Retingle, S.L.	Paseo de la Castellana, 216 – Madrid	—	—	18.52	Deloitte
Ronda Norte Denia, S.L.	Av. Aragón, 30 – Valencia	—	—	12.06	Deloitte
Servicios Índice, S.A.	Paseo de la Castellana, 216 – Madrid	—	—	18.66	Deloitte
Valaise, S.L. (Sole-Shareholder Company)	Paseo de la Castellana, 216 – Madrid	—	—	36.96	Deloitte

APPENDIX III/6

Company	Registered office	Carrying amount of the investment		Effective percentage of ownership	Auditor
		2016	2015		
Las Palmeras de Garrucha, S.L. -in liquidation- Metro de Lima Línea 2, S.A.	Mayor, 19 – Garrucha (Almería) Peru	994 23.124	995 17.413	20.00 18.25	
Sigenera, S.L.	Av. de Linares Rivas, 1 – Corunna	377	379	50.00	
Urbs Iudex et Causidicus, S.A.	Av. Carrilet, 3 – L'Hospitalet de Llobregat (Barcelona)	—	—	29.00	
TOTAL VALUE OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES)		380.851	253.329		

APPENDIX IV

CHANGES IN THE SCOPE OF CONSOLIDATION

INCLUSIONS	Registered office
<u>FULLY CONSOLIDATED COMPANIES</u> FCC (E&M) HOLDINGS LTD. FCC (E&M) LTD. FCC ENVIRONMENT DEVELOPMENT LTD. FCC EQUAL CEE C. ANDALUCÍA, S.L. FCC EQUAL CEE C. VALENCIANA, S.L.	United Kingdom United Kingdom United Kingdom Av. Molière, 36 – Malaga Riu Magre, 6 P.I. – Patada del Cid – Quart de Poblet (Valencia)
<u>ASSOCIATES</u> CAFIG CONSTRUCTORES, S.A. DE C.V. FCC AMÉRICAS, S.A. DE C.V. RCS – FCC J.V.	Mexico Mexico USA

EXCLUSIONS	Registered office
FULLY CONSOLIDATED COMPANIES	
ALPINE CONSULTING, D.O.O. (1)	Slovenia
CONCESIONES VIALES DE COSTA RICA, S.A. (2)	Costa Rica
DIZARA INVERSION, S.L. (1)	Av. Camino de Santiago, 40 – Madrid
EHST EUROPEAN HIGH SPEED TRAINS SGPS, S.A. (3)	Portugal
FCC CONSTRUCCION POLSKA SP Z.O.O. (2)	Poland
FCC INDUSTRIAL COLOMBIA, S.A.S. (1)	Colombia
FCC INDUSTRIALE, S.R.L. (2)	Italy
M&S CONCESIONES, S.A. (2)	Costa Rica
NEVASA INVERSION, S.L. (1)	Av. Camino de Santiago, 40 – Madrid
SINCLER, S.A. (SOLE-SHAREHOLDER COMPANY) (1)	Av. Camino de Santiago, 40 – Madrid
TULSA INVERSION, S.L. (1)	Av. Camino de Santiago, 40 – Madrid
Companies accounted for using the equity method	
JOINT VENTURES	
WESTERN CARPATHIANS MOTORWAY INVESTORS COMPANY GMBH (1)	Austria
GLOBALVIA GROUP (3)	Paseo de la Castellana, 141 - Edificio Cuzco IV – Madrid
ASSOCIATES	
AUTOPISTAS DEL VALLE, S.A. (1)	Costa Rica
BBR VT INTERNATIONAL LTD. (3)	Suiza
GESI 9, S.A. (1)	Sorolla, 27 – Alcalá de Guadaira (Seville)
HORIZONTES DE VIAS Y SEÑALES CENTRO AMÉRICA, S.A. (3)	Costa Rica
HORIZONTES DE VIAS Y SEÑALES PANAMA, S.A. (3)	Panama
METRO DE MALAGA, S.A. (3)	Camino de Santa Inés, s/n – Malaga
SENSEFIELDS, S.L. (3)	Gran Via de les Corts Catalanes, 674 - Barcelona
URBS IUSTITIA COMMODO OPERA, S.A. (2)	Av. Carrilet, 3 – L'Hospitalet de Llobregat (Barcelona)

1. Exclusion due to dissolution
2. Exclusion due to liquidation
3. Exclusion due to sale.

CHANGES IN THE SCOPE OF CONSOLIDATION

COMPANY	Changes in the scope of consolidation
AQUALIA MACE OPERATION & MAINTENANCE LLC	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Coastal Cement Corporation	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Dragon Energy Llc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Dragon Products Company Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Cement Company	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Cement Holding Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Cement NC Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Cement Virginia Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Resource Recovery Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Resource Recovery – Arvonía Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Resource Recovery – Attalla Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Resource Recovery – Harleyville, Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Resource Recovery – Sumter Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Keystone Cement Company	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Sechem Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.

TEMPORARY JOINT VENTURES (J.V.'s), ECONOMIC INTEREST GROUPINGS (EIGs) AND OTHER BUSINESSES MANAGED JOINTLY WITH NON-GROUP THIRD PARTIES

	Percentage of ownership at 31 December 2016
<u>ENVIRONMENTAL SERVICES</u>	
PUERTO J.V.	50.00
ABSA – PERICA J.V.	60.00
ABSA – PERICA I J.V.	60.00
ABSA – PERICA II J.V.	60.00
AEROPUERTO VI J.V.	50.00
AGARBI J.V.	60.00
AGARBI BI J.V.	60.00
AGARBI INTERIORES J.V.	60.00
AKEI J.V.	60.00
ALCANTARILLADO MELILLA J.V.	50.00
ALELLA J.V.	50.00
ARAZURI 2016 J.V.	50.00
ARCOS J.V.	51.00
ARUCAS II J.V.	70.00
BAILIN ETAPA 2 J.V.	60.00
BILBOKO LORATEGIAK J.V.	60.00
BILBOKO SANEAMENDU J.V.	50.00
BILBOKO SANEAMENDU BI J.V.	50.00
BIOCOMPOST DE ÁLAVA J.V.	50.00
BIZKAIAKO HONDARTZAK J.V.	50.00
BOADILLA J.V.	50.00
CABRERA DE MAR J.V.	50.00
CANA PUTXA J.V.	20.00
CARMA J.V.	50.00
CASTELLANA – PO J.V.	50.00
CASTELLAR DEL VALLÈS J.V.	50.00
CHIPIONA J.V.	50.00
CGR GUIPUZCOA J.V.	35.14
CLAUSURA SAN MARCOS J.V.	60.00
COLEGIOS SANT QUIRZE J.V.	50.00
CONTENEDORES LAS PALMAS J.V.	30.00
CONTENEDORES MADRID J.V.	38.25
CONTENEDORES MADRID 2 J.V.	36.50
CTR. DE L'ALT EMPORDÀ J.V.	45.00
CTR – VALLÈS J.V.	20.00
CUA J.V.	50.00
DONOSTIAKO GARBIKETA J.V.	70.00
DOS AGUAS J.V.	35.00
ECOPARQUE CÁCERES J.V.	50.00
ECOURENSE J.V.	50.00
EFIC. ENERG. PUERTO DEL ROSARIO J.V.	60.00
EKO FERRO J.V.	85.00
ENERGÍA SOLAR ONDA J.V.	25.00
ENLLUMENAT SABADELL J.V.	50.00
ENVASES LIGEROS MALAGA J.V.	50.00
EPELEKO PLANTA J.V.	35.00
ERETZA J.V.	70.00
ES VEDRA J.V.	25.00
F.L.F. LA PLANA J.V.	47.00
F.S.S. J.V.	99.00
FCC – ERS LOS PALACIOS J.V.	50.00
FCC – HIJOS DE MORENO, S.A. J.V.	50.00
FCC – PERICA J.V.	60.00
FCC – SUFI MAJADAHONDA J.V.	50.00
GESTIÓ INTEGRAL DE RUNES DEL PAPIOL J.V.	40.00

APPENDIX V/2

	Percentage of ownership at 31 December 2016
GESTIÓN INSTALACIÓN III J.V.	34.99
GIREF J.V.	20.00
GOIERRI GARBIA J.V.	60.00
ICAT LOTE 7 J.V.	50.00
ICAT LOTE 11 J.V.	50.00
ICAT LOTE 15 J.V.	50.00
ICAT LOTE 20 and 22 J.V.	70.00
INTERIORES BILBAO J.V.	80.00
JARD. UNIVERSITAT JAUME I J.V.	50.00
JARDINES MOGÁN J.V.	51.00
JUNDIZ II J.V.	51.00
LA LLOMA DEL BIRLET J.V.	80.00
LAGUNAS DE ARGANDA J.V.	50.00
LAS CALDAS GOLF J.V.	50.00
LEGIO VII J.V.	50.00
LEKEITIOKO MANTENIMENDUA J.V.	60.00
LIMPIEZA SANTA COLOMA J.V.	50.00
LIMPIEZA Y RSU LEZO J.V.	55.00
LODOS ARAZURI J.V.	50.00
LOGROÑO LIMPIO J.V.	50.00
LUZE VIGO J.V.	40.00
LV RSU VITORIA-GASTEIZ J.V.	60.00
LV Y RSU ARUCAS J.V.	70.00
LV ZUMAIA J.V.	60.00
LV ZUMARRAGA J.V.	60.00
MANTENIMENT REG CORNELLÀ J.V.	60.00
MANTENIMIENTO COLEGIOS III J.V.	60.00
MAREPA – CARPA PAMPLONA J.V.	50.00
MELILLA J.V.	50.00
MMI 5º CONTENEDOR J.V.	60.00
MNTO. EDIFICI MOSSOS ESQUADRA J.V.	70.00
MNTO. MEDITERRANEA FCC J.V.	50.00
MUÉRDAGO J.V.	60.00
MUSKIZ J.V.	32.00
NERBIOI IBAIZABAL 5º CONTENEDOR J.V.	60.00
ONDA EXPLOTACIÓN J.V.	33.33
PÁJARA J.V.	70.00
PAMPLONA J.V.	80.00
PASAIA J.V.	70.00
PASAIKO PORTUA BI J.V.	55.00
PISCINA CUBIERTA BENICARLÓ J.V.	65.00
PISCINA CUBIERTA MUNICIPAL ALBATERA J.V.	93.00
PISCINA CUBIERTA PAIPORTA J.V.	90.00
PLAN RESIDUOS J.V.	47.50
PLANTA RSI TUDELA J.V.	60.00
PLANTA TR. FUERTEVENTURA J.V.	70.00
PLANTA TRATAMIENTO VALLADOLID J.V.	90.00
PLATGES VINARÓS J.V.	50.00
PLAYAS GIPUZKOA J.V.	55.00
PLAYAS GIPUZKOA II J.V.	55.00
PONIENTE ALMERIENSE J.V.	50.00
PORTMANY J.V.	50.00
PUERTO II J.V.	70.00
PUERTO DE PASAIA J.V.	55.00
PUERTO DE PTO DEL ROSARIO J.V.	70.00
R.S. PONIENTE ALMERIENSE J.V.	50.00
RBU ELS PORTS J.V.	50.00
RBU VILLA-REAL J.V.	47.00
RESIDENCIA J.V.	50.00
RESIDUOS 3 ZONAS NAVARRE J.V.	60.00
RSU LV S. BME. TIRAJANA J.V.	50.00
RSU TOLOSALDEA J.V.	60.00
S.U. ALICANTE J.V.	33.50
S.U. BENICASSIM J.V.	35.00
S.U. BILBAO J.V.	60.00
S.U. OROPESA DEL MAR J.V.	35.00
SALTO DEL NEGRO J.V.	50.00
SANEAMIENTO URBANO CASTELLÓN J.V.	65.00
SANEAMIENTO VITORIA-GASTEIZ J.V.	60.00
SANEJAMENT CELLERA DE TER J.V.	50.00
SANEJAMENT MANRESA J.V.	80.00
SANT QUIRZE DEL VALLÉS	50.00

APPENDIX V/3

	Percentage of ownership at 31 December 2016
SANTA COLOMA DE GRAMANET J.V.	61.00
SASIETA J.V.	75.00
SAV – FCC TRATAMIENTOS J.V.	35.00
SELECTIVA LAS PALMAS J.V.	55.00
SELECTIVA SAN MARCOS J.V.	65.00
SELECTIVA SAN MARCOS II J.V.	63.00
SELECTIVA UROLA KOSTA J.V.	60.00
SELLADO VERTEDERO LOGROÑO J.V.	50.00
SOLARES CEUTA J.V.	50.00
SON ESPASES J.V.	50.00
TOLOSAKO GARBIKETA J.V.	40.00
TRANSPORTE RSU J.V.	33.33
TRANSP. Y ELIM. RSU J.V.	33.33
TRANSPORTE SAN MARCOS J.V.	80.00
TXINGUDIKO GARBIKETA J.V.	73.00
UROLA ERDIA J.V.	60.00
URRETXU Y ZUMARRAGA J.V.	65.00
URTETA J.V.	50.00
VERTEDERO GARDELEGUI II J.V.	70.00
VERTEDERO GARDELEGUI III J.V.	70.00
VERTRESA J.V.	10.00
VIDRIO MELILLA J.V.	50.00
VIGO RECICLA J.V.	70.00
VILOMARA J.V.	33.33
VILOMARA II J.V.	33.33
VINAROS J.V.	50.00
ZAMORA LIMPIA J.V.	30.00
ZARAGOZA DELICIAS J.V.	51.00
ZARAUZKO GARBIETA J.V.	60.00
ZUMAIA J.V.	60.00
ZURITA J.V.	50.00
ZURITA II J.V.	50.00
AQUALIA	
AQUAGEST-AQUALIA EIG	37.50
COSTA BRAVA ABASTAMENT AQUALIA-SOREA EIG	50.00
ITAM DELTA DE LA TORDERA EIG	50.10
ABASTAMENT EN ALTA COSTA BRAVA EMPRESA MIXTA, S.A.	26.00
AGUAS Y SERVICIOS DE LA COSTA TROPICAL DE GRANADA EIG	51.00
EDIFICIO ARGANZUELA J.V.	99.99
EMPRESA MIXTA D'AIGÜES DE LA COSTA BRAVA, S.A.	25.00
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	41.25
GESTIÓN DE SERVICIOS HIDRÁULICOS DE CIUDAD REAL EIG	75.00
ABU RAWASH CONSTRUCCIÓN J.V.	50.00
AGNITA-EPTISA-AISA J.V.	50.00
AGUA SANTO DOMINGO J.V.	70.00
AGUAS ALCALÁ J.V.	50.00
AGUAS DEL DORAMÁS J.V.	50.00
AIGÜES ELS POBLETS J.V.	95.00
ALKHORAYEF-FCC AQUALIA J.V.	51.00
AMPLIACIÓN IDAM DELTA DE LA TORDERA J.V.	66.66
CAP DJINET J.V.	50.00
CONS. GESTOR PTAR. SALITRE J.V.	30.00
COLECTORES A GUARDA 2012 J.V.	50.00
COSTA TROPICAL J.V.	51.00
COSTA TROPICAL II J.V.	51.00
COSTA TROPICAL III J.V.	51.00
DEPURACIÓN PONIENTE ALMERIENSE J.V.	75.00
EDAR A GUARDA J.V.	50.00
EDAR A GUARDA 2012 J.V.	50.00
EDAR A GUARDA 2013 J.V.	50.00
EDAR BAEZA J.V.	50.00

APPENDIX V/4

	Percentage of ownership at 31 December 2016
EDAR GIJÓN J.V.	60.00
EPTISA-AISA (ZIMNICEA) J.V.	50.00
ETAPS ESTE J.V.	65.00
EXPLOTACIÓN ITAM TORDERA J.V.	50.00
EXPLOTACIÓN PISCINAS VIGO J.V.	50.00
FCC ACISA AUDING J.V.	45.00
GESTIÓN CANGAS J.V.	70.00
GESTIÓN PISCINAS VIGO J.V.	50.00
GROUPEMENT SOLIDAIRE JERBA J.V.	50.00
HIDC – HIDR. – INV DO CENTR. ACE J.V.	50.00
IBIZA J.V.	50.00
IBIZA-PORTMANY EPC J.V.	50.00
IDAM SAN ANTONI J.V.	50.00
IDAM SANT ANTONI II J.V.	50.00
INFILCO J.V.	50.00
LOURO J.V.	65.00
MOSTAGANEM J.V.	50.00
OYM CAP DJINET J.V.	50.00
OYM MOSTAGANEM J.V.	50.00
PTAR. AMBATO J.V.	60.00
PTAR SAN SILVESTRE J.V.	50.00
REDES CABB J.V.	65.00
SCC SICE J.V.	50.00
SEAFSA LANZAROTE J.V.	60.00
SENTINAS J.V.	50.00
S.G.V.V. J.V.	50.00
SOLLONAKO URA J.V.	50.00
TOSSA DE MAR J.V.	20.00
USSA A J.V.	65.00
VIGO PISCINAS J.V.	50.00

CONSTRUCTION

ACE EDIFER CONSTRUÇÕES, RAMALHO R.C.E.C.	33.33
ACE INFRAESTRUTURAS DAS ANTAS – CONSTRUÇÃO E OBRAS PÚBLICAS	33.33
ACE CAET XXI CONSTRUÇÕES	50.00
ACE RIBEIRADIO-ERMIDA	55.00
ACP DU PORT DE LA CONDAMINE	45.00
ASOC. FCC AZVI STRACO S. ATEL-MICASASA	55.00
ASOCIEREA FCC AZVI S. SIGHISOARA - ATEL	55.00
ASTALDI – FCC J.V.	50.00
BSV MERSEY JOINT VENTURE UNINC	50.00
CJV-UJV	35.92
CONSORCIO ANTIOQUÍA AL MAR	40.00
CONSORCIO CENTENARIO DE PANAMA SOCIEDAD ACCIDENTAL	50.00
CONSORCIO CHICAGO II	60.00
CONSORCIO CJV CONSTRUCTOR METRO LIMA	25.50
CONSORCIO EPC METRO LIMA	18.25
CONSORCIO FCC CONSTRUCCIÓN-FERROVIAL AGROMAN LTD.A.	50.00
CONSORCIO FCC-FI	50.00
CONSORCIO FCC-JJC (PUERTO CALLAO)	50.00
CONSORCIO FCC METRO SANTA FE DE COSTA RICA	50.00
CONSORCIO ICA – FCC – MECO PAC-4	43.00
CONSORCIO LÍNEA 2	40.00
CONSORCIO LÍNEA UNO	45.00
CONSORCIO M&S SANTA FE MCA	50.00
CONSORCIO NUEVA ESPERANZA	63.00
CONSORCIO REMOS FASE I	60.00

APPENDIX V/5

	Percentage of ownership at 31 December 2016
FAST 5 – U.J.V.	28.16
FAST CONSORTIUM LIMITED LLC (29)	35.92
FCC - YUKSEL – ARCHIDORON – PETROSERV J.V.	50.00
GROUPEMENT FCC - INGENIUM	93.00
ASOCIAREA ARAD-TIMISOARA FCC-ASTALDI J.V.	50.00
ASTALDI-FCC-UTI-ACTIV. MAGISTRALA J.V.	37.00
BYPASS CONSTATA J.V.	50.00
CENTURE OTOPENI OVERPASS J.V.	40.00
EXTENSION OF LINE 2 TO ANTOHOUNPOLI J.V.	50.01
FCC, HOCHTIEF UN ACB – AEROPUERTO RIGA J.V.	36.00
SFI LEASING COMPANY J.V.	30.00
MERSEYLINK CIVIL CONTRACTORS J.V.	33.33
METRO BUCAREST J.V.	47.50
SHIMMICK CO. INC. FCC CO. IMPREGILO SPA J.V.	30.00
THV CAFASSO CONSTRUCTION	60.00
TJV-UJV	16.16
2ª FASE DIQUE DE LA ESFINGE	35.00
A-66 BENAVENTE - ZAMORA	50.00
ACCESO FERROVIARIO APB	45.00
ACCESO NORTE A VIGO NUEVA ESTACIÓN	50.00
ACCESO PUERTO SECO MONFORTE	50.00
ACCESOS A LA ESTACIÓN DE LA SAGRERA J.V.	37.50
ACON. Y PEATON. SAN BARTOLOMÉ TIRAJANA J.V.	70.00
ADAMUZ J.V.	33.33
AEROPUERTO DE CASTELLÓN J.V.	50.00
AL – DEL OLMEDO J.V.	50.00
AL – DEL POLIVALENTES J.V.	50.00
ALAMEDA DE CERVANTES EN LORCA J.V.	60.00
ALBUERA J.V.	50.00
ALERTA AVENIDAS SAIH J.V.	50.00
ALMENDRALEJO II J.V.	50.00
AMP. PLAT. COSTERA REC. GUINIGUADA J.V.	50.00
AMPLIACIÓN PUERTO PLAYA BLANCA J.V.	92.50
AMPLIACIÓN SAIH J.V.	50.00
ANAGA J.V.	33.33
ANTEQUERA J.V.	60.00
ARMILLA INSTALACIONES J.V.	50.00
ARROYO DEL FRESNO J.V.	50.00
AUCOSTA CONSERVACIÓN J.V.	50.00
AUDITORIO DE BURGOS J.V.	65.00
AUDITORIO DE LUGO J.V.	50.00
AUTOPISTA CARTAGENA – VERA J.V.	50.00
AUTOVÍA A-33 JUMILLA J.V.	65.00
AUTOVÍA COSTA BRAVA J.V.	65.00
AUTOVÍA DE LA SAGRA J.V.	50.00
AUTOVÍA EL BATÁN – CORIA J.V.	50.00
AVE ALCÁNTARA-GARROVILLAS J.V.	85.00
AVE GIRONA J.V.	40.00
AVE MASIDE J.V.	67.00
AVE TÚNEL DE SERRANO J.V.	42.00
ÁVILA 6 J.V.	35.00
BALLONTI ARDANZA J.V.	9.80
BARBADOS J.V.	50.00
BELLTALL J.V.	40.00
BERGARA ANTZUOLA J.V.	50.00
BILBAO MANTENDU J.V.	24.50
BIMENES III J.V.	70.00
BOETTICHER J.V.	50.00
BOETTICHER CLIMA J.V.	50.00
BOETTICHER ELECTRICIDAD J.V.	50.00

1) Cambio de denominación. Antes Fast Construction Llc.

APPENDIX V/6

	Percentage of ownership at 31 December 2016
BOQUILLA SUR TÚNEL VIGO – DAS MACEIRA J.V.	50.00
BUSINESS J.V.	25.00
C31-ACCESOS MATARÓ J.V.	50.00
C&F JAMAICA J.V.	50.00
C.A.R.E. CÓRDOBA J.V.	75.00
CÁCERES NORTE J.V.	50.00
CAMPO GIBRALTAR J.V.	80.00
CAMPUS CLIMA J.V.	50.00
CANAL PRINCIPAL DE ORBIGO J.V.	50.00
CÁRCEL MARCOS PAZ J.V.	35.00
CARCHUNA – CASTELL J.V.	75.00
CARRETERA IBIZA – SAN ANTONIO J.V.	50.00
CASÓN II J.V.	50.00
CATENARIA RÍGIDA TERRASSA J.V.	50.00
CATLÁNTICO J.V.	25.00
CECOEX J.V.	20.00
CEIP OROSO J.V.	60.00
CENTRO COMERCIAL LA GRELA J.V.	50.00
CENTRO COMERCIAL MESOIRO J.V.	50.00
CENTRO SALUD TUI J.V.	50.00
CHUAC J.V.	50.00
CIBELES J.V.	50.00
CIRCUITO J.V.	70.00
CIUTAT DE LA JUSTÍCIA J.V.	30.00
CLUB NÁUTICO CASTELLÓN J.V.	50.00
CONEXIÓN CORREDOR MEDITERRÁNEO J.V.	40.00
CONEXIÓN MOLINAR J.V.	70.00
CONSERVACIÓN ANTEQUERA J.V.	50.00
CONSERVACIÓN BADAJOZ J.V.	50.00
CONSERVACIÓN MALPARTIDA J.V.	50.00
CONSTRUCCIÓN HOSPITAL SURESTE J.V.	50.00
CONSTRUCCIÓN TRANVÍA ZARAGOZA J.V.	50.00
CONTROL MOGÁN J.V.	33.33
COPERO J.V.	70.00
CREAA J.V.	50.00
CYS – IKUSI – GMV J.V.	43.50
DÁRSENA CORUÑA J.V.	50.00
DE SUMINISTROS PUENTE RÍO OZAMA J.V.	50.00
DESALADORA BAJO ALMANZORA J.V.	60.00
DESARROLLO PUERTO DE AVILÉS FASE I J.V.	80.00
DESDOBLAMIENTO C.V. – 309 EN SAGUNTO J.V.	50.00
DESDOBLAMIENTO DE LA AS-17 I J.V.	70.00
DIQUE ESTE J.V.	35.00
DIQUE TORRES J.V.	27.00
DOCENCIA HOSPITAL SON ESPASES J.V.	33.00
DONOSTIALDEA 2014 J.V.	60.00
DOZÓN J.V.	29.60
DRENAJES ADAMUZ J.V.	33.33
EDIFICIO SOCIAL J.V.	29.00
EDIFICIO C. CULT. POLIV., F. II-V. D'UIXÓ J.V.	60.00
EDIFICIO TERMINAL J.V.	40.00
ELECTRICIDAD BY PASS SUR CALLE 30 J.V.	33.33
ELECTRIFICACIÓN GRANOLLERS J.V.	20.00
ENCAUZAMIENTO BARRANCO DE FRAGA J.V.	60.00
EQUIPAMIENTO AUDITORIO BURGOS J.V.	65.00
ESCLUSA SEVILLE J.V.	70.00
ESTACIÓN GIRONA J.V.	40.00
ESTACIONES AEROPORT L9 J.V.	49.00
ESTACIONES LÍNEA 9 J.V.	33.00
ESTACIONES TERRASSA J.V.	36.00
ESTEPONA J.V.	25.00
EZKIO ITSASO J.V.	40.00

	Percentage of ownership at 31 December 2016
F.I.F. GNL FB 301/2 J.V.	35.96
FASE II C.I.C.C.M. J.V.	60.00
FASE II PABELLÓN REYNO DE NAVARRE J.V.	50.00
FCC INDUSTRIAL - ATON J.V.	90.00
FGV VARIANTE TRAMO FINCA ADOC J.V.	55.00
FUENTE DE CANTOS J.V.	50.00
GANGUREN J.V.	11.03
GASODUCTOS ENAGAS GD J.V.	50.00
GC – 1 PUERTO DE RICO – MOGÁN J.V.	40.00
GEDERIAGA J.V.	24.50
GIRONA NORTE J.V.	70.00
GIRONA NORTE II J.V.	70.00
GIRONA NORTE 2014 J.V.	70.00
GOIÁN J.V.	70.00
GOIERRIALDEA 2010 J.V.	55.00
GRANADA J.V.	70.00
GUADARRAMA 3 J.V.	33.33
GUADARRAMA 4 J.V.	33.33
HORCHE J.V.	65.00
HORKASITAS J.V.	24.50
HOSPITAL ALCÁZAR J.V.	60.00
HOSPITAL CAMPUS DE LA SALUD J.V.	80.00
HOSPITAL DE CARTAGENA J.V.	70.00
HOSPITAL DE MIRANDA J.V.	65.00
HOSPITAL DEL SUR J.V.	80.00
HOSPITAL DEL SUR, SEGUNDA FASE J.V.	40.00
HOSPITAL FCC – VVO J.V.	80.00
HOSPITAL NORTE TENERIFE J.V.	80.00
HOSPITAL SON DURETA J.V.	33.00
HOSPITAL UNIVERSITARIO DE MURCIA J.V.	50.00
HOTEL VALENCIA PARAISO J.V.	50.00
HUELVA SUDESTE J.V.	40.00
IBAI EDER J.V.	24.50
IBARRETA J.V.	24.50
IECISA-FCC/CPD DE CONSELL MALLORCA J.V.	50.00
IMPERMEABILIZACIÓN TÚNEL PAJARES NORTE J.V.	50.00
INSTALACIONES EDIFICIO C J.V.	25.00
INSTALACIONES ELÉCTRICAS MOGÁN J.V.	50.00
INSTALACIONES FGC J.V.	36.00
INSTALACIONES FONTFREDA J.V.	50.00
INSTALACIONES MADRID ESTE J.V.	46.25
INSTALACIONES METRO MALAGA J.V.	54.00
INTERFAZ J.V.	50.00
INTERFÍCIES AEROPORT L9 J.V.	49.00
INTERM. PTO TARRAGONA J.V.	75.00
INTERMODAL PRAT J.V.	35.00
IRO J.V.	80.00
JAÉN – MANCHA REAL J.V.	80.00
JEREZ – LA BARCA J.V.	80.00
JUAN GRANDE J.V.	50.00
LA ALDEA J.V.	35.00
LAKUA 796 J.V.	24.50
LA ROBLA J.V.	30.00
LAUDIO J.V.	24.50
LÍNEA 1 TRANVÍA DE MURCIA J.V.	50.00
LÍNEA 2 J.V.	50.00
LÍNEA 9 J.V.	33.00
LLOVIO 2012 J.V.	70.00
LOGÍSTICA J.V.	33.33

APPENDIX V/8

	Percentage of ownership at 31 December 2016
LOT 2 PMI BCN J.V.	80.00
LOT 3 PMI BCN J.V.	80.00
M-407 J.V.	50.00
MALAGA COCHERAS J.V.	50.00
MALLABIA J.V.	14.70
MAN. AEROPORT L9 J.V.	49.00
MANTENIMENT RONDES 2012 J.V.	70.00
MANTENIMIENTO ARANJUEZ II J.V.	76.00
MANTENIMIENTO CÓRDOBA J.V.	49.00
MANTENIMIENTO HUSE J.V.	50.00
MANTENIMIENTO TDM J.V.	50.00
MANTENIMIENTO TRANVÍA ZARAGOZA J.V.	50.00
MANTENIMIENTO VÍA ARANJUEZ J.V.	50.00
MAQUINARIA PESADA 2015 J.V.	50.00
MAQUINARIA VERÍN J.V.	50.00
MÁRGENES NORTE J.V.	50.00
MATADERO J.V.	57.50
MEDINACELI J.V.	22.40
MEJORA ESTRUCTURAS MORA J.V.	39.97
METRO MALAGA J.V.	36.00
MONFORTE J.V.	24.00
MONTAJE VÍA MOLLET – GIRONA J.V.	50.00
MORA - CALATRAVA J.V.	39.97
MORALEDA J.V.	66.00
MTM. ARQUITECTURA, INFRAESTR. Y VÍA J.V.	28.00
MTMTO. ENERGÍA Y ELECTROMEC. METRO MALAGA J.V.	50.00
MTMTO. REDES Y SISTEMAS METRO MALAGA J.V.	40.00
MUELLE DE LA QUÍMICA J.V.	70.00
MUELLES COMERCIALES J.V.	60.00
MUNGUÍA J.V.	13.72
MURCIA J.V.	40.00
MUSEO NACIONAL DE LA ENERGÍA J.V.	50.00
NACIMIENTO J.V.	54.00
NANCLARES J.V.	95.00
NOU PONT DE FUSTA J.V.	50.00
NTC CADIZ J.V.	50.00
NUDO DE MOLLET J.V.	50.00
NUEVO ESTADIO VCF J.V.	49.00
NUEVO HOSPITAL DE CÁCERES J.V.	33.33
NUEVO PUERTO DE IGOUMENITZA J.V.	50.00
OPERADORA TERMOSOLAR GUZMÁN J.V.	67.50
OPERADORA VILLENA J.V.	88.00
ORENSE – MELÓN J.V.	50.00
PABELLÓN ARENA J.V.	50.00
PABELLÓN REYNO DE NAVARRE J.V.	50.00
PAGO DE ENMEDIO J.V.	75.00
PALACIO DE CONGRESOS DE LEÓN J.V.	50.00
PANADELLA J.V.	50.00
PARQUE TECNOLÓGICO J.V.	60.00
PASAIA BERRI J.V.	50.00
PASAIA BERRI INSTALACIONES J.V.	80.00
PCI METRO DE MÁLAGA J.V.	40.00
PLA DE NA TESA J.V.	70.00
PLATAFORMA NOROESTE J.V.	50.00
PLATAFORMA TPTE PBCO CASTELLÓN J.V.	55.00
PLATAFORMA TTE.PUB. TRAMO I COLUMBRETES J.V.	55.00
POLA DE LENA J.V.	70.00
POLÍGONO BOBES J.V.	50.00
POLÍGONO LLOREDA J.V.	70.00
PONT DE CANDI J.V.	75.00

	Percentage of ownership at 31 December 2016
PRESA ENCISO J.V.	50.00
PRESAS ITOIZ J.V.	33.00
PREVENCIÓN DE INCENDIOS NORTE J.V.	50.00
PREVENCIÓN INCENDIOS PATRIMONIO J.V.	20.00
PRIM BARRIO SAN ANTON – ELCHE J.V.	80.00
PROLONGACIÓN DIQUE REINA SOFÍA J.V.	40.00
PROSER – GEOCONTROL J.V.	60.00
PROSER – GEOCONTROL II J.V.	62.00
PSIR CASTRO URDIALES J.V.	50.00
PUENTE RÍO OZAMA (DFC-COCIMAR) J.V.	35.00
PUENTE DEL REY J.V.	33.33
PUERTO DE GRANADILLA J.V.	40.00
PUERTO DE LAREDO J.V.	50.00
PUERTO DEL ROSARIO J.V.	90.00
R. ARCADIA J.V.	97.00
RADIALES J.V.	35.00
RANILLA CONSTRUCCIÓN J.V.	85.00
RED ARTERIAL PALENCIA FASE I J.V.	80.00
REFORMA HOSPITAL V SALUD (TOLEDO) J.V.	60.00
RESIDENCIAS REAL MADRID J.V.	50.00
RÍO CABE J.V.	50.00
RUTA NACIONAL HAITÍ J.V.	55.00
S.A.I.H. SUR J.V.	40.00
SAGUNTO J.V.	60.00
SAN PEDRO J.V.	24.50
SANEAMIENTO ARCO SUR J.V.	56.50
SANEAMIENTO DE VILLAVICIOSA J.V.	80.00
SANTA MARIA D'OLÓ-GURB J.V.	60.00
SECTOR M-5 2012 J.V.	70.00
SERV. ENERG. PISCINA CUB. S. CABALLO J.V.	50.00
SIMULADOR APBA J.V.	50.00
SISTEMA INTEGRAL ALACANTI SUR J.V.	66.67
SISTEMAS METRO MALAGA J.V.	25.00
SOTIELLO J.V.	50.00
SSAA AP – 7 J.V.	50.00
STADIUM J.V.	70.00
SUBESTACIÓN SERANTES J.V.	50.00
TARRAGONA LITORAL J.V.	70.00
TECSACON J.V.	20.00
TERMOSOLAR GUZMÁN J.V.	67.50
TF-5 2ª FASE J.V.	70.00
TINDAYA J.V.	50.00
TORQUEMADA J.V.	50.00
TORRE DON JIMENO J.V.	50.00
TORRE ISLA CARTUJA J.V.	80.00
TRAMBESÒS J.V.	50.00
TRANVÍA LUCEROS-MERCADO ALICANTE J.V.	60.00
TS VILLENA J.V.	88.00
TÚNEL AEROPORT J.V.	33.00
TÚNEL AEROPORT II J.V.	33.00
TÚNEL AVE CHAMARTÍN – ATOCHA J.V.	42.00
TÚNEL C.E.L.A. J.V.	50.00
TÚNEL DE PAJARES 1 J.V.	50.00
TÚNEL FIRA J.V.	33.00
TÚNEL LA ALDEA J.V.	50.00
TÚNEL LOS ROJALES J.V.	95.00

	Percentage of ownership at 31 December 2016
TÚNEL PROVISIONAL ESTACIÓN ATOCHA J.V.	42.00
TÚNEL TERRASSA J.V.	36.00
TUNELADORA METRO J.V.	33.00
TÚNELES BOLAÑOS J.V.	47.50
TÚNELES DE BARAJAS J.V.	50.00
TÚNELES DE GUADARRAMA J.V.	33.33
TÚNELES DE SORBES J.V.	67.00
TÚNELES DELICIAS J.V.	65.00
TÚNELES FIGUERES J.V.	95.00
UE 1 ARROYO DEL FRESNO J.V.	50.00
UE 2 ARROYO DEL FRESNO J.V.	50.00
UNQUERA – PENDUELES J.V.	80.00
URBANITZACIÓ GIRONA J.V.	40.00
URBANIZACIÓN PARC SAGUNT J.V.	50.00
URBANIZACIÓN VIA PARQUE TRAMO AV. CARB.-P J.V.	60.00
URBISERVEIS J.V.	29.00
VALDEVIVIENDAS II J.V.	33.33
VALLE INFERIOR J.V.	80.00
VANDELLÓS J.V.	24.00
VARIANTE DE MONZÓN J.V.	70.00
VARIANTE MANCHA REAL J.V.	67.00
VELÓDROMO J.V.	60.00
VERTEDERO CASTAÑEDA J.V.	62.50
VÍA ACCESOS SANTIAGO J.V.	50.00
VÍA PAJARES J.V.	50.00
VIADUCTOS PREFABRICADOS METRO RIYAD J.V.	50.00
VIC - RIPOLL J.V.	34.00
VIGO-DAS MACEIRAS J.V.	50.00
VILARIÑO (VÍA IZQUIERDA) J.V.	90.00
VILLAR – PLASENCIA J.V.	70.00
YELTES J.V.	75.00
YESA J.V.	33.33
ZONA MANIOBRA J.V.	50.00
ZONAS VERDES ENSANCHE DE VALLECAS J.V.	33.33

Percentage of ownership
at 31 December 2016

OTHER ACTIVITIES

C.G.T. – JEREZ CB J.V.	50.00
LASGARRE J.V.	50.00
MEL 9 J.V.	49.00
OPERACIÓN TRANVÍA DE MURCIA J.V.	50.00
PERI AR.8 LA MADRAZA J.V.	99.00
PINO MONTANO P5 J.V.	50.00
SAGUNTO PARCELA M17-3 J.V.	50.00
SEMINARIO P3-2 J.V.	99.00

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)**

Directors' Report

This report was prepared in accordance with the guidelines established in the “Guide for the preparation of directors' reports of listed companies” published by the Spanish National Securities Market Commission (CNMV).

Translation of financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

1 THE COMPANY'S SITUATION

1.1. Company situation: Organisational structure and management decision-making process

The organisational structure of FCC Group is based on a first level made up of areas, which are divided into two large groups which are operational and functional.

The operating Areas encompass all the activities relating to the production line. As described in greater detail in Note 1 to the consolidated financial statements, the FCC Group is composed of the following operating Areas:

- **Environmental Services.**
- **End-to-End Water Management.**
- **Construction.**
- **Cement.**

Each of these operating Areas is presided over by one or various Specialised Companies, which report to FCC and encompass the activities inherent to the Group.

The functional Areas that provide support to the operating Areas are as follows:

- **Administration and Finance:** the Administration and Finance Department is made up of the Administration, IT Systems, Finance, Investor Relations and Management Control, Corporate Marketing and Branding, Procurement, and Human Resources units.

The Administration unit runs the administrative management of the FCC Group. Its duties regarding information systems and internal control include the following:

- General accounting
 - Accounts standardisation
 - Consolidation
 - Tax consulting
 - Tax procedures
 - Tax compliance
 - Administrative procedures
- **Internal Auditing and Risk Management:** its purpose is to provide the Board of Directors, via the Auditing and Control Committee, and the FCC Group's senior management with support for their responsibilities to supervise the internal control system by exercising a function of single, independent governance aligned with professional standards, to contribute towards good corporate governance, verify due compliance with the applicable rules and regulations, both internal and external, and reduce to reasonable levels any impact of risks on the FCC Group's achievement of its objectives.

To do this, it is structured into two independent roles: Internal auditing, and risk and compliance management.

- **General Secretary's Office:** depending directly on the Group's Chief Executive, its main duty is to support the Chief Executive's management and that of the heads of FCC's other divisions, by providing all the services detailed in the corresponding sections on FCC's various divisions and departments, whose performance and supervision is the responsibility of the General Secretary.

The office is made up of these units: Legal Department, Quality Assurance, Corporate Security and General Services and Corporate Responsibility.

On a secondary level, the Areas may be divided into Sectors –operating Sectors– and Divisions - functional Divisions– creating spheres permitting greater specialisation when required.

The structure of the main decision-making bodies is as follows:

- **Board of Directors:** This is the body with the widest-reaching, unrestricted powers, except for those expressly reserved by the Spanish Limited Liability Companies Law or the Bylaws to the powers of the shareholders at the General Meeting.
- **Audit and Control Committee:** Its main function is to support the Board of Directors in its supervisory tasks, through the periodic review of the process for preparing economic and financial information, its internal controls and independence of the external auditor.
- **Nomination and Remuneration Committee:** This supports the Board of Directors in relation to the proposals for the nomination, re-election, ratification and termination of Directors, establishes and controls the remuneration policy of the Company's Directors and Senior Executives and the fulfilment by the Directors of their duties, particularly in relation to situations of conflicts of interest and related party transactions.
- **Management Committee:** Each of the business units has its own Management Committee or other committee with similar duties.

More detailed information on the functions of the FCC Group's decision-making bodies is provided in section 1 of the Internal Control over Financial Reporting system (ICFR) report.

1.2. Company situation: Company business model and strategy

FCC is one of the main European groups specialised in environmental services, water and infrastructure development, with a presence in over 34 countries worldwide. Over 48% of its billings arise from international markets, mainly Europe, Latin America and the US.

Environmental Services

The Environmental Services Area has a solid presence in Spain, maintaining a position of leadership in the provision of environmental urban services for over 100 years.

In Spain FCC provides environmental services to more than 3,600 municipal districts all over the country, serving a population of more than 28 million. The services provided in this sector include solid-waste collection and street-cleaning, which accounted for 38% and 31%, respectively, of the turnover obtained in this market in 2016. These activities are followed in importance by waste treatment and elimination, cleaning and maintenance of buildings, parks and gardens, and, to a lesser extent, sewerage. Together they cover nearly 98% of the domestic business, with the remainder corresponding to miscellaneous services.

In turn, the international business is carried on chiefly in the UK and Central and Eastern Europe through the subsidiaries FCC Environment Limited (UK) and FCC environment CEE, respectively. For a good number of years now FCC has led markets both in integral urban solid waste management and in other environmental services. The services provided in this sector include waste treatment, elimination and collection, which accounted for 58% and 18%, respectively, of total turnover in 2016.

The Environmental Services Unit also specialises in the integrated handling of industrial and commercial waste, recovery of by-products and soil decontamination, through FCC Ámbito. Its extensive network of handling and valuation facilities means that waste can be handled correctly, thereby assuring the protection of the environment and people's health.

Internationally, considerable growth has been Noted in USW and industrial-waste collection in the United States.

The strategy in Spain will focus on staying competitive through quality and innovation, extending the efficiency and quality of services based on innovation and accumulated know-how, and continuing to make progress in providing smarter services for more sustainable and responsible cities.

However, the waste-treatment business will be slowed down by the high volume of investment required and the non-implementation of the National Waste Plan.

This year we will continue to focus on the efficiency of operations and growing our business. In this regard, the inclusion of new technologies will enable us to further consolidate our strength in the markets for waste recycling and valuation in Europe and position ourselves as key players in the circular economy. With regard to the United States, the business will continue to be developed in the years to come.

End-to-End Water Management

Globally, FCC Aqualia serves more than 23 million users and provides services to more than 1,100 municipal districts in 21 countries, offering the market full solutions for the needs of public and private entities and organisations at every stage of the integrated water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's business focuses on concessions and services, covering concessions for distribution networks, BOT, O&M and irrigation services, as well as technology and network tasks covering EPC contracts and industrial water-treatment activities.

In 2016, the Spanish market accounted for 75.7% of total turnover and 77.7% of the unit's EBITDA, and the trend for billing volumes to recover that began last year has continued. The legal framework in which contracts are undertaken does not lead us to expect any significant risks for the business in the short term. Central and regional governments are not currently calling for tenders for major water-infrastructure concessions, mainly because of the tax-consolidation and debt-reduction process that the authorities are continuing to apply, thus increasing the shortfall in infrastructure renewal and growth. Despite this, we have won new contracts or secured extensions to existing ones for integrated-water-cycle concessions with a high level of loyalty being shown by the local authorities we work with. Aqualia has also made considerable efforts to extend its presence in the facilities O&M market (WWTPs, DWTPs, desalinisation plants), winning several major contracts in Spain.

The international market achieved a turnover and EBITDA accounting for 24.3% and 22.3% of the total, respectively. FCC Aqualia focuses its business in Europe, North Africa, the Middle East and the Americas, currently holding contracts in more than 15 countries.

The unit continues to seek to stay competitive in markets with a consolidated local presence (Europe) and make the most of any opportunities that arise with regard to the management of public services for the urban water cycle. In other expansion markets, growth through BOT will be strengthened (North Africa, Latin America and the Middle East), together with O&M, while further options in others will be explored (e.g., United States). FCC Aqualia always makes full use of its experience in the integrated management of the water cycle to seek new business opportunities in countries where the political and social climate is stable.

Construction

This Area is mainly involved in the design and construction of large civil engineering and industrial works and building construction projects. 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.

65% of all earnings come from abroad, including the building of major infrastructure projects such as Riyadh Metro lines 4, 5 and 6, Lima Metro line 2, Doha Metro, the Mersey Bridge and Panama Metro line 2, with some still in the early stages of construction. In 2016 the contracts won included electromechanical facilities at stations and tunnels for Riyadh Metro lines 4, 5 and 6 (Saudi Arabia), worth EUR 115 million, and the extension of the Port of Playa Blanca (Lanzarote, Canary Islands), worth EUR 36.4 million, and the refurbishment of fuel facilities at Dublin Airport (Ireland), worth EUR 33 million.

The unit's strategy focuses on the development and construction of major, technically complex infrastructure projects, with assured funding and in countries with a stable presence, in order to optimise the profitability of the experience and the technical skills of its work teams.

Cement

The FCC Group carries on its cement activity through Cementos Portland Valderrivas (CPV). Its business is devoted to manufacturing cement, which in 2016 accounted for about 90% of all the business's earnings, with the remaining 10% mostly coming from the concrete, mortar and aggregate businesses. Its business is based at various cement-production sites in Spain (7) and Tunisia (1).

With regard to its geographical diversification, 65% of revenue came from international markets. CPV has a presence in Spain, Tunisia and the US (the latter through a 45% stake in Giant Cement), although the company also exports mainly to the UK, North Africa and Canada.

The company enjoys a position of leadership both in its main market, Spain, and in Tunisia.

CPV's main objective continues to be to remain competitive in terms of both costs and market share in the markets in which it operates, attempting to retain its status as an industry benchmark in all the countries in which it has a presence.

2 BUSINESS PERFORMANCE AND RESULTS

2.1. Business performance.

2.1.1. 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.

2.1.2. 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

2.1.3. 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	24.9	13.6	83.1%	0.4%	0.2%

Total	5,951.6	6,476.0	-8.1%	100.0%	100.0%
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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

2.1.4. 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

2.1.4.1. 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.

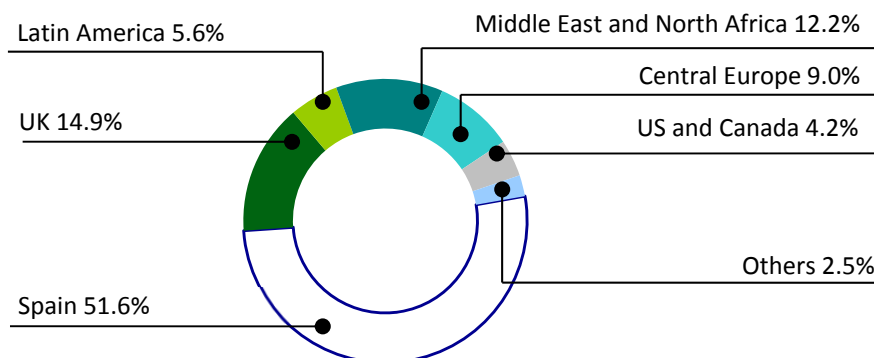
Revenues in Latin America fell by 31.6% due to the time lag between the completion of major construction works, such as Panama Metro Line 1 and projects in Colombia and Costa Rica, and the start of other projects such as Lima Metro and Panama Metro Line 2. In the Water division, a number of projects 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



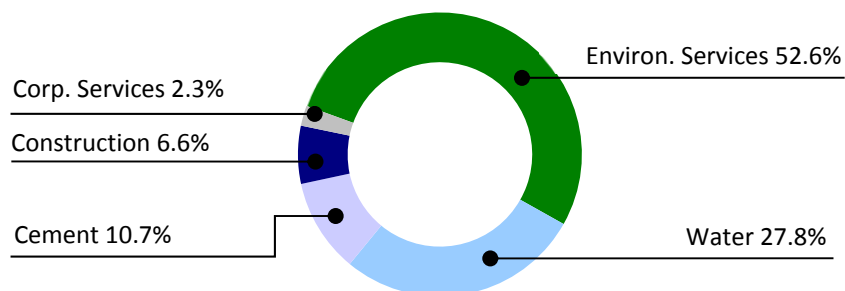
2.1.4.2. EBITDA

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.

2.1.4.3 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.

2.1.4.4 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:

2.1.4.4.1 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.

2.1.4.4.2 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.

2.1.4.4.3 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.

2.1.4.5 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:

2.1.4.5.1 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.

2.1.4.5.2 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.

2.1.4.5.3 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.

2.1.5 Balance Sheet

<i>(M€)</i>	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)

2.1.5.1 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.

2.1.5.2 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.

2.1.5.3. 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.

2.1.5.4. 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.

2.1.5.5. Net interest-bearing debt

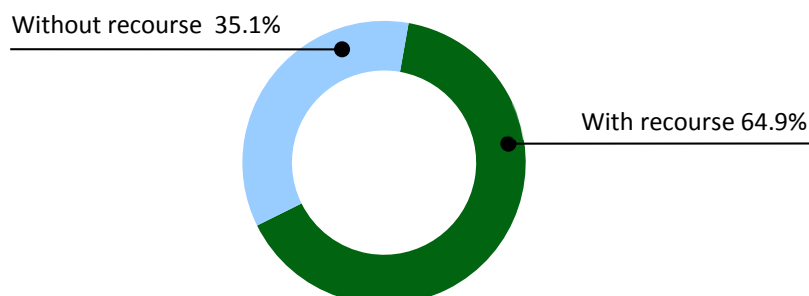
(M€)	Dec. 16	Dec. 15	Change (M€)
Bank borrowings	4,536.1	5,647.7	(1,111.6)
Debt instruments and other loans	232.4	1,088.5	(856.1)
Accounts payable due to financial leases	49.4	62.1	(12.7)
Derivatives and other financial liabilities	183.1	251.5	(68.4)
Gross interest-bearing debt	5,001.1	7,049.8	(2,048.7)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

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

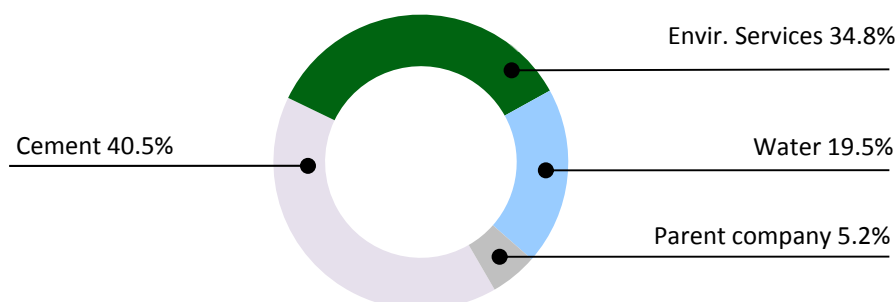
(€417.7 million of principal and €10 million of accrued coupon), and deconsolidation of debt in the US Cement operations, as discussed earlier.

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.

2.1.5.6. 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.

2.1.6. 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%

2.1.6.1. 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
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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.

2.1.6.2. 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 Realía 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.

2.1.6.3. 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.

2.1.6.4. 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.

2.1.6.5. 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.

2.1.7. Business Performance

2.1.7.1. 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.

2.1.7.1.1 Results

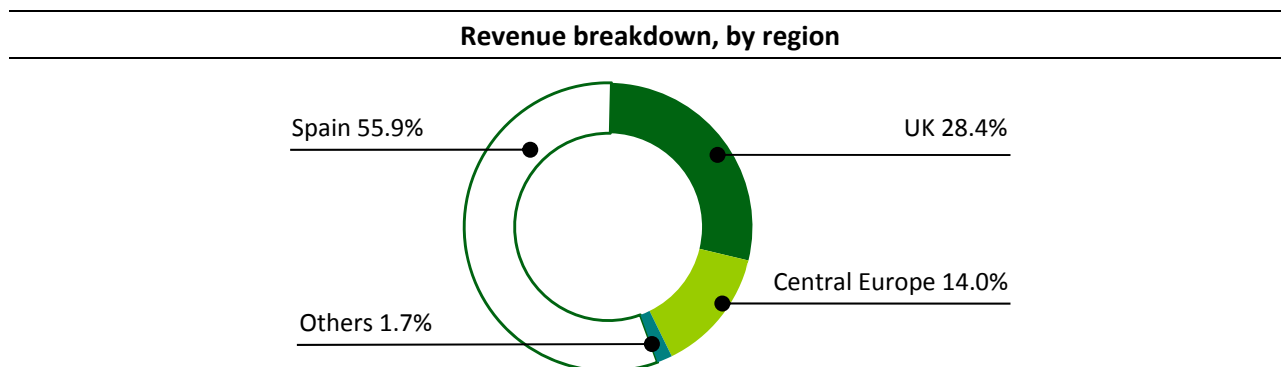
(M€)	Dec. 16	Dec. 15	Chg. (%)
Revenues	2,728.1	2,855.6	-4.5%
<i>Environment</i>	2,598.7	2,731.5	-4.9%
<i>Industrial Waste</i>	129.4	124.1	4.3%
EBITDA	438.7	425.3	3.2%
<i>EBITDA margin</i>	16.1%	14.9%	1.2 p.p.
EBIT	221.8	191.5	15.8%
<i>EBIT margin</i>	8.1%	6.7%	1.4 p.p.

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).



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.

2.1.7.1.2. 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.

2.1.7.2. 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.

2.1.7.2.1. 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.

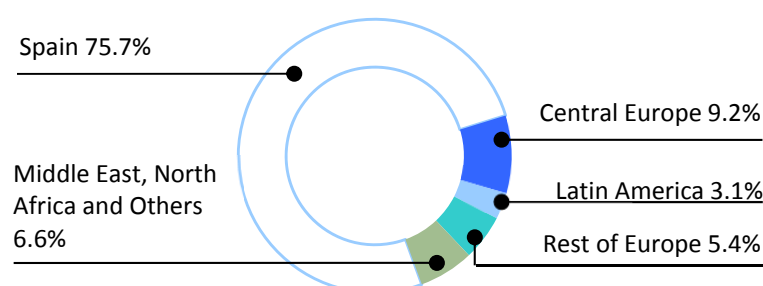
Revenue breakdown, by region			
(M€)	Dec. 16	Dec. 15	Chg. (%)
Spain	764.8	779.8	-1.9%

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.

2.1.7.2.2. 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).

2.1.7.3. 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.

2.1.7.3.1. 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>	<i>3.3%</i>	<i>3.8%</i>	<i>-0.5 p.p</i>
EBIT	(47.4)	(19.2)	146.9%
<i>EBIT margin</i>	<i>-2.9%</i>	<i>-1.0%</i>	<i>-1.9 p.p</i>

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.

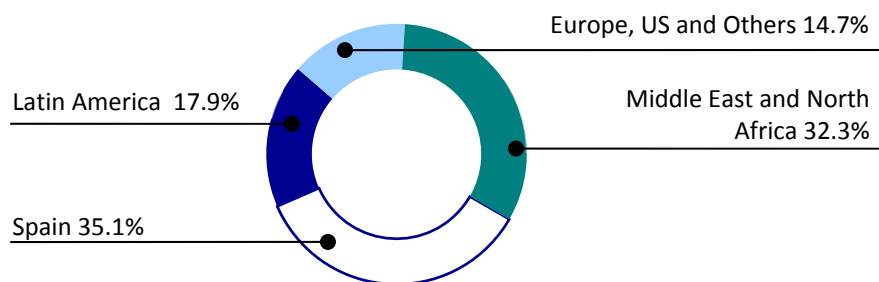
Revenue breakdown, by region			
(M€)	Dec. 16	Dec. 15	Chg. (%)
Spain	580.8	898.7	-35.4%
Middle East and North Africa	534.3	439.6	21.5%
Latin America	295.5	419.4	-29.5%
Europe, US, etc.	242.0	235.2	2.9%
Total	1,652.6	1,992.9	-17.1%

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%.

2.1.7.3.2. 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.

2.1.7.4. 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.

2.1.7.4.1. 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%

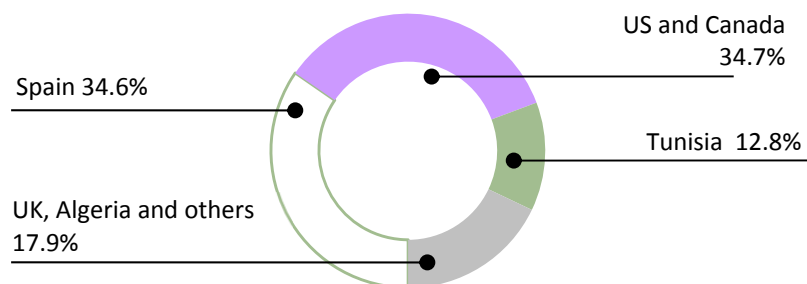
Revenues in Spain declined by 5.9%, due to the combination of slightly lower prices and a year-on-year decline in cement consumption due to shrinkage of the domestic market during the year.

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.

2.1.7.4.2. 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%.

2.2. Business performance. Environment

The information relating to the FCC Group's Environmental Policy is described in greater detail in Note 29 to the consolidated financial statements.

The FCC Group's strategy is based on a commitment to social responsibility in relation to environmental services, complying with the applicable legal requirements, respect for its relationship with its stakeholders and its desire to generate wealth and social well-being.

At the FCC Group, the following principles, which form the basis of its contribution to sustainable development, are encouraged and stimulated throughout the organisation:

- Continuous improvement: To promote environmental excellence through the setting of targets to achieve continuous improvement in the performance of activities, while minimising the negative impacts of the FCC Group's processes, products and services and strengthening the positive impacts.
- Control and monitoring: To establish environmental indicator management systems for the operational control of processes, which provide the necessary information for monitoring, assessing, taking decisions on and communicating the FCC Group's environmental efforts, and ensure compliance with the commitments acquired.
- Climate change and prevention of pollution: To lead the battle against climate change by implementing processes involving reduced emission of greenhouse gases and by promoting energy efficiency and the use of renewable energies. To prevent pollution and protect the natural environment through responsible management and consumption of natural resources

and by minimising the impact of the emissions, discharges and waste generated and managed as a result of the FCC Group's activities.

- Care for the environment and innovation: To identify the risks and opportunities pertaining to the activities with respect to the changing natural environment in order to promote innovation and the use of new technologies, and to generate synergies among the FCC Group's various activities.
- Life cycle of the products and services: To make environmental considerations a priority in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.
- Ensure the participation of all: To promote awareness and application of the environmental principles among employees and other stakeholders.

2.3. Business performance. Employees

Following is a detail, by business area, of the FCC Group's headcount at 31 December 2016:

AREAS	SPAIN	ABROAD	TOTAL	%s of Total	% Chg. 2015
Environmental Services	30,758	8,710	39,468	72%	2.03%
Water Management	6,178	1,774	7,952	15%	4.18%
Construction	3,516	2,155	5,671	10%	-17.22%
Cement	763	330	1,093	2%	-35.13%
Central Services and Other	283	-	283	1%	-3.74%
TOTAL	41,498	12,969	54,467	100%	-1.23%

3 LIQUIDITY AND CAPITAL RESOURCES

Liquidity

To optimise its financial position, the FCC Group maintains a proactive liquidity risk management policy by monitoring cash and its projections on a daily basis.

The FCC Group meets its liquidity requirements through the cash flows generated by the businesses and through the financial agreements reached.

With a view to improving its financial position, the Group actively manages collection from its customers to ensure they meet their payment obligations.

For the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, the Group has the cash disclosed in the consolidated balance sheet (see Note 17 to the consolidated financial statements), and financing (detailed in Note 20 to the consolidated financial statements).

Note 30 of the consolidated report explains the policy implemented by the FCC Group to manage its liquidity risk and associated mitigating factors.

Capital resources

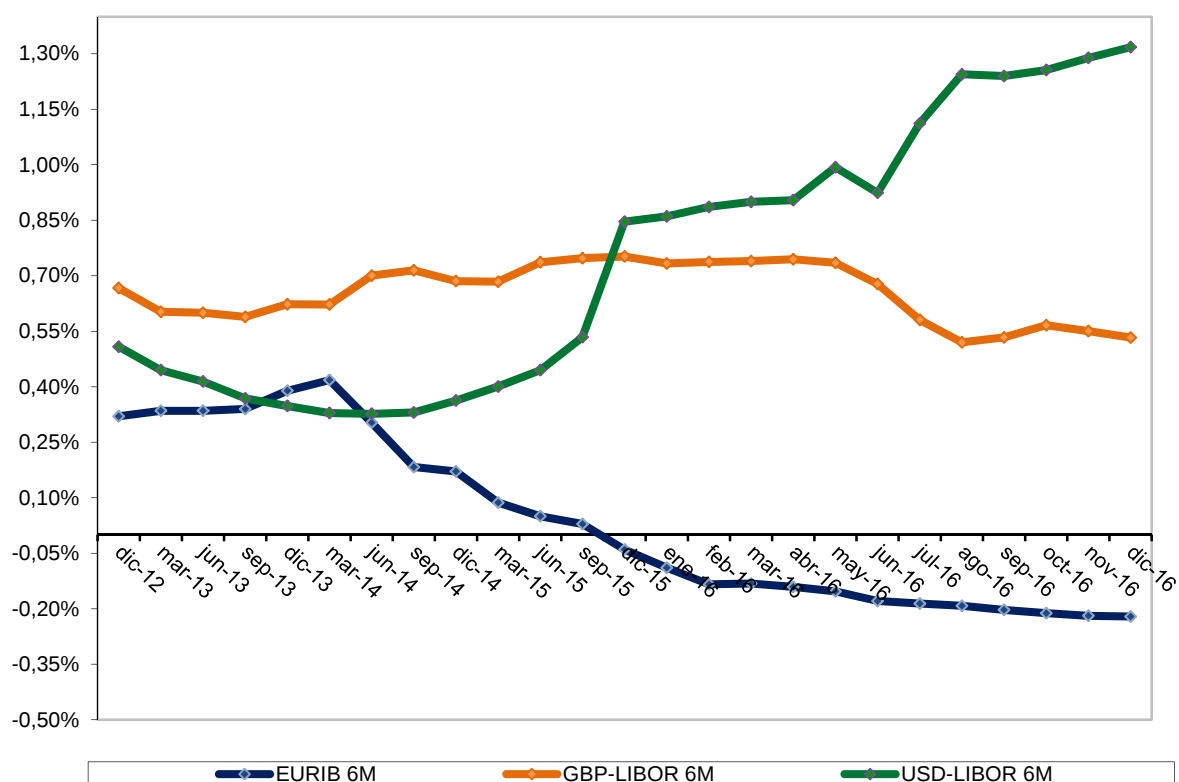
The Group manages its capital to ensure that the Group companies are capable of continuing as profitable and solvent businesses.

As part of capital management operations, the Group obtains financing through a wide variety of financial products from more than 50 Spanish and international financial institutions.

In 2014 the Group completed a EUR 4.528b global financing process and in recent years it has reached various limited recourse debt refinancing agreements (see Note 20 to the consolidated financial statements). At the end of 2014 a capital increase of almost EUR 1,000,000 thousand was effected, with another on 4 March 2016 for EUR 709,519 thousand, both allocated to strengthening the Company's capital structure.

In order to optimise the cost of capital resources, the FCC Group maintains an active interest rate risk management policy that includes ongoing monitoring of the market and assumes various positions based mainly on the financed asset.

How interest rates have evolved in recent years is shown below.



This section is discussed in further detail in Note 30 to the consolidated financial statements.

4 MAIN RISKS AND UNCERTAINTIES

The current risk-management policy, together with the system for developing it, was approved by the board of directors in October 2016. The risk-management policy and system have been designed to identify any potential events that if they were to occur would affect the FCC Group, and also to manage risks within the acceptable risk level, providing the board and management of FCC with a reasonable degree of assurance that their objectives can be met.

That is why it is key for them to be integrated into the organisation's business processes.

Risk management at FCC is governed by the following basic principles:

- Integrating the risk/opportunity vision
- Assigning responsibility
- Segregating duties/independence
- Homogenisation
- Monitoring and controlling risks
- Internal control
- Action plans
- Continuous assessment of the process
- Supervision by the Auditing and Control Committee.

The scope of application established under the risk-management policy and system of the FCC Group covers all the member companies, as well as affiliates in which FCC has effective control and companies newly taken over as soon as the acquisition is effective. It also covers employees of the FCC Group who are attached to consortia and JVs.

The activities that fall within the scope of the risk-management system of the FCC Group include preparing and updating of risk maps and risk matrix and control of business units to enable FCC's consolidated risk map to be drawn up, as well as preparing risk-materialisation reports and action plans. Other activities included within the system are training, document control, monitoring and reviews of the system and continuous improvement.

In addition, the risk-management system also establishes internal communication mechanisms at various different levels: within the business unit via risk-management performance reports, between the Risks and Compliance Committee and the Risk Management role (e.g., risk-materialisation reports), and between the Internal Auditing Department, Risk Management and the Auditing and Control Committee.

Risk maps and the matrix of risks and controls include identification of the main risks in the various business areas, as well as controls established by management to mitigate the effect of those risks and valuation in terms of the likelihood of their occurrence and their impact on the financial statements of the business area analysed.

The process of drawing up risk maps for the business units includes the stages of setting targets, identifying risks, identifying processes, assessing risks according to their potential impact if they were to materialise and the likelihood of their occurrence, and identifying the personnel responsible for managing the risks identified.

The process of preparing the matrix of risks and controls for business units includes the stages of identifying key control activities to mitigate risks, assigning responsibilities for control and designing key indicators to enable a system of alerts to be established to warn of any deviations or materialisations.

The Group's risk-management system is based on the existence of three levels of risk management. The first two are located within the business unit that, as part of its business, gives rise to the FCC Group's exposure to risk. The third consists, first of all, of the corporate staff reporting to senior management (corporate departments) and finally the Internal Auditing and Risk Management and Compliance staff, who report to the Auditing and Control Committee.

FCC Construcción has a Risks and Compliance Committee with an executive role, whose duties, in accordance with the approved risk-management policy and system, include implementing the system, assuring compliance of the risk-management processes defined and developing sufficient control environments to mitigate and maintain risks within acceptable levels.

As established under the Regulations of the FCC Board of Directors, it is the responsibility of the full board to approve the company's risk-management and control policy, identifying any risks that the company considers to be major and implementing and monitoring the appropriate internal-control and information systems, in order to assure future viability and competitiveness, as well as making the appropriate decisions for their optimal development.

The role of the Auditing and Control Committee also includes supervising and studying a risk-management and control policy that identifies:

- The various different types of risks faced by the company, including – among financial or economic risks — contingent liabilities and other risks off-book risks.
- Setting the risk level that the company considers to be acceptable.
- Measures provided to mitigate the impact of the risks identified, if they should ever materialise.
- The information systems to be used to control and manage those risks, including contingent liabilities or off-book risks, referring them to the board for approval.

The first level of risk management and internal control is located on the operational lines of the business unit, which act as risk takers and are responsible for appropriately managing, monitoring and reporting the risk generated, including tax risks, in accordance with the risk appetite and risk limits authorise.

The second level is made up of support, control and supervision teams who oversee the effective control of the risk and its management in accordance with the risk appetite, including tax risks.

The Risk Management and Compliance Department is part of the third level of risk management and internal control. Its duties are related to supervising, coordinating, monitoring and integrating the risk-management and control process within the organisation. This third level also includes

corporate functions (HR, Tax, Administration, Legal, etc.) and the internal-auditing function as the last line of defence.

The risk scenarios considered have been classified into four groups: Strategic risks, operational risks, compliance risks and financial risks.

4.1. Main Risks and Uncertainties. Operational risks

- Uncertainty and volatility of raw materials, energy and subcontracted services.

The FCC Group, in the course of its activities, consumes high volumes of raw materials and energy, as well as working with numerous subcontractors and industrial firms. Changing economic conditions and uncertainty in general could give rise to oscillating prices that would have an impact on the FCC Group's results.

- Municipalisation of the management of services currently provided by the FCC Group.

Certain services provided by the FCC Group could be affected by decisions made by current or future local authorities. In certain cases, these decisions could result in municipalisation. In particular, for the FCC Group municipalisation could affect the Environmental Services and Water divisions, with a consequent negative impact on present and future results and orders.

- Disasters

The complexity of certain environments in which the FCC Group operates increases exposure to the risk of suffering the effects of unforeseen events causing damage to people, assets or the environment, including natural disasters, terrorism and criminal acts.

- Information security

Of particular relevance is the risk of criminal cyberattacks which, whether targeted directly at the company or otherwise, could affect its assets and hinder operations for a lengthy period of time. The FCC Group as an operational unit whose role is to prevent, detect, analyse and mitigate factors related to security events, such as hacking, attacks, etc.

- Rescheduling of projects

The financial and economic situation could cause public and private investment forecasts to be cut back, which could lead to various projects under way in Spain and abroad to be rescheduled, with considerable impact on their results, if clients fail to meet their undertakings while the FCC Group makes a constant effort to comply with its own.

- Risks derived from links to third parties

The FCC Group may operate jointly with public authorities or private entities through various forms of partnership (companies, consortia, economic interest groups, joint ventures and similar). The members of such partnerships share the operational, economic and financial risks associated with certain projects or activities. Nevertheless, adverse developments in a project or business, in the underlying economic and political climate or in the partners' economic position

could cause conflicts to arise, with negative effects on their performance and therefore also on the FCC Group.

-Repercussion of extraordinary costs in activities developed

The FCC Groups' design and build activities expose it to certain risks that are inherent to contracting of that kind, such as the repercussion of extraordinary costs. In the Environmental Services, Water and Construction business areas, the FCC Group develops "turnkey" design and build contracts that are remunerated based on a fixed price. Whether the price of a turnkey contract is subject to review may vary according to the jurisdiction.

- Unilateral termination or amendment of contracts.

Public Authorities may unilaterally amend or terminate certain contracts before they have been fully performed. In these cases, the compensation to be received by the FCC Group might not be sufficient to cover the losses incurred and, also, such compensation might be difficult to collect.

Regardless of the nature and sum owed in compensation to the FCC Group under a concession or works contract terminated by the client, the FCC Group could need to take legal action or proceed to arbitration in order to receive it, thereby increasing its costs and delaying the receipt of compensation due.

- The departure of key technical and management staff could hamper the success of business operations.

The success of the FCC Group's business operation largely depends on its key personnel with technical and management experience. If the FCC Group were to lose a substantial number of key personnel, although this is unlikely, they could be difficult to replace, complicating the successful management of the Group's business.

- Industrial disputes

The Construction and Services divisions of the FCC Group are notably labour-intensive. Consequently, this, together with the fact that significant geographical diversity involves varying employment legislation, could give rise to individual or collective conflicts with employees for various reasons, undermining the company's production capacity and its reputation.

- Adaptation the FCC Group's personnel to the operations planned

Maintaining a workforce at FCC that is not aligned with the Group's forecast contract-completion needs, in terms of both numbers and quality, could result in an oversized workforce, with high personnel costs relative to production, or undersizing, with the risk of being unable to complete the projects contracted with sufficient quality, resulting in delays and associated costs.

4.2. Main risks and uncertainties. Financial risks

The concept of financial risk refers to the changes in the financial instruments arranged by the FCC Group as a result of political, market and other factors and the repercussion thereof on the consolidated financial statements. The FCC Group's risk management philosophy is consistent with its business strategy and seeks to achieve maximum efficiency and solvency at all times. To this end, strict financial risk management and control criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred in the Group's operations, and the risk policy has been integrated into the Group organisation in the appropriate manner.

In view of the Group's activities and the transactions through which it carries on its business, it is currently exposed to the following financial risks:

Capital risk

Capital risk is described in greater detail in point 3 in this consolidated Directors' Report.

Interest rate risk

In order to ensure a position that is in the FCC Group's best interest, an interest rate risk management policy is actively implemented based on the ongoing monitoring of markets and on assuming different positions based primarily on the asset being financed.

Foreign currency risk

A Noteworthy consequence of the FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency. The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the statement of profit or loss.

Solvency risk

The most representative ratio for measuring solvency and capability of repaying the debt is: Net Debt/Ebitda.

The strong generation of operating funds and measures applied to the capital structure have enabled a substantial reduction in the net financial debt to be achieved.

Liquidity risk

Liquidity risk is described in greater detail in point 3 in this consolidated Directors' Report.

Concentration risk

This risk arises from the concentration of financing transactions with common features which are distributed as follows:

- Sources of financing: in order to diversify this risk, the FCC Group works with numerous Spanish and international financial institutions in order to obtain financing.
- Markets/Geographical area (Spanish, foreign): the FCC Group operates in a wide variety of Spanish and international markets. The Group's debt is concentrated mainly in euros and the remainder in various currencies in several international markets.
- Products: the FCC Group arranges various financial products, including loans, credit facilities, bonds, syndicated transactions, factoring, discounting, etc.
- Currency: the FCC Group finances its operations in a wide variety of currencies, corresponding, whenever possible, to the country of origin.

Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Group, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position, could result in the risk of nonpayment of the amounts owed.

The Group requests commercial reports and assesses the financial solvency of its customers before entering into agreements with them and also engages in ongoing monitoring of customers, and has a procedure in place to be followed in the event of insolvency. In the case of public customers, the Group's policy is to not accept projects without an allocated budget and financial approval. Offers exceeding a certain collection period must be authorized by management of the Financial Department. Furthermore, late payment is monitored on an ongoing basis on the various management committees.

Financial derivatives designated as hedging instruments

In general, the financial derivatives arranged by the FCC Group are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in the Notes to the consolidated financial statements. The main financial risk hedged by the FCC Group using derivative instruments relates to fluctuations in the floating interest rates to which the FCC Group companies' financing is tied. Financial derivatives are measured by experts on the subject that are independent from the Group and the entities financing it, using generally accepted methods and techniques.

The financial risks to which the Group is exposed are discussed in greater detail in Note 30 to the FCC Group's financial statements.

5 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 13 February 2017 the acceptance period for the Cementos Portland Valderrivas S.A. exclusion public acquisition bid (exclusion OPA; see Note 5.a of the consolidated report) expired. The exclusion OPA was accepted for 9,356,605 shares, representing 87.81% of the shares to which the OPA originally referred. Consequently, no forced sales are needed. The Group's effective participating interest following the operation is now 97.45%. On 24 February 2017 all the shares of Cementos Portland Valderrivas (51,786,608 in all) were excluded from trading.

Receipt from the sale of the shares of Xfera Móviles S.A. and transfer of participatory loans occurred on 7 February 2017 for a final sum of EUR 29,139 thousand. The sum initially estimated as at 31 December 2016 was EUR 24,285 thousand, i.e. impairment of the participatory loans of EUR 11,047 thousand. On the date of preparing these annual financial statements, in accordance with FRS 10 "Events Subsequent to Closure", the sum of that impairment has been adjusted accordingly (Note 14 of the consolidated report).

On 28 February 2017 the Company received EUR 106,444 thousand corresponding to the deferred price of the sale of the shares of Global Vía Infraestructuras S.A. (Notes 4.b and 5 of the consolidated report). As the receivable was valued as a current financial asset at fair value with changes in profit and loss at EUR 106,040 thousand, in accordance with the regulations no adjustment has been made with regard to the difference with the sum recorded in these consolidated financial statements

6 COMPANY OUTLOOK

Set forth below are the prospects for 2016 for the main business areas composing the FCC Group.

The countries where the **Environmental Services** division operates are undergoing a process of profound transformation, owing to the environmental requirements of national governments, driven by EU directives and being subject to a consolidation process, with an increase in concentration and the arrival of new competitors.

In the UK economic activity is expected to slow down in 2017, owing to cuts to public authorities' budgets

As for central and eastern Europe, moderate growth in central Europe, with risks of greater intervention and municipalisation of services in certain eastern European countries, such as Hungary.

With regard to opportunities in the US market, a large number of tender processes for urban-waste services will be launched in the coming years.

In the industrial-waste sector in Spain, there is a need for inspections to be intensified by some authorities, in order to detect and prosecute illegal practices more efficiently. These practices may result in environmental problems that pose a serious risk to people's health.

In Portugal there are major business opportunities related to decontamination actions on environmental liabilities.

In the area of end-to-end water management, certain concession contracts in Spain are set to come to an end in 2017, with similar renewal rates to those in 2016 expected, i.e. close to 100%, with a more active market this year offering better contracting opportunities. In the water-infrastructure area, in 2017 various concessions are likely to be opened up in treatment infrastructure, in order to progress with compliance with the Wastewater Treatment Plan, which is very deficient in rural areas, and subject to sanctions for infringements of EU requirements.

With the formation of the new government in the final quarter of 2016 a number of legislative initiatives and the transposition of EU directives have been resumed. However, no progress has been made with the setting-up of a state regulator, despite the considerable demand from all the stakeholders involved.

Internationally, in the Americas the deficit in water infrastructure increases FCC Aqualia's growth options, which have multiplied significantly following FCC's withdrawal from the capital of Proactiva, a company in which it was partnered with the French operator Veolia.

In Mexico, the experience gained with various contracts is being put to good use by planning for similar projects, where more demanding technical and financial capacities have made FCC Aqualia a benchmark.

In Colombia, Peru, Paraguay and Panama the respective governments have launched various water-improvements programmes that present interesting opportunities for new business.

In Portugal, the concessions business is expected to be reactivated after the local elections in the last quarter of 2017, spurred by the budget deficit suffered by local authorities and the need to invest in infrastructure.

In the Czech Republic, tender processes are expected to be launched for the private management of water and sanitation services in major towns and cities.

In North Africa, sea water desalination and waste water purification constitute business opportunities in the countries in which Aqualia already has a presence, as is the case in Tunisia and Egypt.

In the Middle East, where population growth is reaching up to 8% per year in some countries, the serious reduction in earnings from oil is forcing nations in the Gulf to withdraw subsidies and use private initiatives to develop their water-infrastructure projects.

In the **Construction** area, although the Spanish economy has begun to show signs of recovery, this improvement is not expected to give rise to any significant growth in the amount of public contracting, which continues to present levels that are far below those recorded before the 2008–2013 economic crisis. Given this situation of less public tendering in the Spanish market, FCC tends to look towards diverse international markets, particularly in emerging countries, where the boom in infrastructure developments presents an opportunity.

One objective of the Group in 2017 will be to seek contracts, mainly through the international market, by means of demanding risk management to give access to a selective portfolio of projects with assured profitability, higher profits and better cash generation.

Taking into account the foregoing, it is estimated that revenue in Spain in 2017 will remain similar with respect to 2016, due mainly to budgetary restrictions in the public sector.

However, revenue from abroad in 2017 is expected to be similar to that earned in 2016, with the performance of large infrastructure construction projects obtained in 2016 and 2015 and the contribution made by new markets in the Americas (Central America, Chile, Peru, Colombia and the US), the Middle East (Saudi Arabia and Qatar) and Europe (the UK and Romania).

In the Cement area in Spain, although the recovery of the Spanish economy continued in 2016, supported by improved interior demand, with a growth of 3.2% in GDP and an drop in unemployment to 18.6%, this has not been reflected in higher cement consumption, the demand for which fell by 3.1% in 2016 to 11.1 million tonnes, partly offset by an 5.6% increase in exports to 9.8 million tonnes.

For 2017 the expected improvement in the Spanish economy, together with greater political stability following the formation of a new government, leads us to believe that cement consumption may begin to grow again.

In Tunisia the local market cooled somewhat in 2016, with a 3.9% decrease in volume to 7.2 million tonnes. Exports to Algeria and Libya also fell over the course of the year, in the case of Algeria because of an increase in its own production capacity, and in Libya because of the unstable situation in the country, which may well continue throughout the current year.

In the US market, where the business has not been consolidated since November 2016 owing to the loss of control that occurred, the PCA (Portland Cement Association) expects domestic demand to rise by 3.1%, although it believes that its cement-consumption forecasts could be affected by the policies of the new US administration and Congress's support for them.

In this context, the Cementos Portland Valderrivas Group will continue to implement its policies to contain expenditure and optimise investment and adapt all organisational structures to the reality of the various markets in which it operates, in order to improve cash flow generation.

7 RDI ACTIVITIES

In 2016 the FCC Group's RDI activities encompassed more than 50 projects.

Set forth below is a description of the activities of the various business Areas and of the main projects carried out in 2016.

ENVIRONMENTAL SERVICES

In the environmental services area, aside from continuing with the research work in various projects that commenced in previous years, a new project, titled IoT, has been developed to devise a methodology for an efficient management system for street-cleaning services.

Notable projects in 2016 include:

- o **VENTESU:** Definition, design and development of an electric vehicle powered with batteries and ultra-condensers, with a self-supporting chassis and low cab.
- o **ELECTRIC GUTTER CLEANER:** Definition, design and development of a fully electric heavy truck for urban hydrodynamic cleaning services. This is a vehicle with permanent electric traction with no mechanical transmission.

In addition, work continued on the **ADVANCED SOLUTION FOR THE GLOBAL MANAGEMENT OF ALL THE PROCESSES AND PLAYERS IN ENVIRONMENTAL CONTRACTS** project, which encompasses various objectives such as process improvement, swiftness of response vis à vis new business requirements, global access to more favourable functionalities, management of geo-referenced information, etc.

END-TO-END WATER MANAGEMENT

Aqualia's innovation activity was consolidated in 2016 with the addition of a new eco-efficiency line to each of the three areas developed previously: Sustainability, Quality and Smart Management, thanks to three new European projects under the umbrella of the H2020 programme.

The new eco-efficiency line covers the following projects:

- o **RENOVAGAS:** project co-funded by Mineco Innpacto programme and led by Enagas. In October 2016 a methane-enrichment prototype was installed at the Jerez WWTP, using the CO2 from biogas and hydrogen produced with renewable electricity. Thanks to the catalytic reactor developed by Tecnia, in 2017 the quality of the biofuel produced will be demonstrated for two vehicles, which were delivered with another project being run in tandem (Smart Green Gas).
- o **CLEANWATER:** Project funded by the EU Eco-Innovation programme. A new method has been demonstrated for manufacturing hypochlorite on site at water plants, thereby avoiding the risks of using and transporting chlorine gas. The project has been undergoing trials since early 2016 in Almería, since September in Denia and beginning in 2017 in Nigrán.

- o **SMART GREEN GAS:** project under the umbrella of the CDTI programme of Consorcios de Investigación Empresarial Nacional (CIEN). FCC Aqualia leads a consortium of five firms (Gas Natural Fenosa, Naturgas/EDP, Ecobiogas, Diagnostika, Dimasa Group) to develop efficient infrastructure for the production and management of biomethane networks. Aqualia's first actions in Jerez and Aranda del Duero have demonstrated that the quality control of the biomethane is sufficient to power vehicles.
- o **MIDES:** a project under the H2020 Mides umbrella aims to revolutionise desalinisation by reducing the energy cost tenfold compared with conventional reverse osmosis. The technology used — the microbial desalinisation cell (MDC) was developed with Imdea Agua (in a previous IISIS project) — allows waste organic material (from effluents) to be used to activate bacteria that displace salts via membranes with no need for external energy sources. The project mobilises eleven partners from seven countries to implement the technology and set up three demonstration units on three continents: Europe (Spain), Africa and the Americas.
- o **LIFE ANSWER:** under the umbrella of the Life Answer project, led by Mahou, also involves the University of Alcalá de Henares, which has developed the microbial-treatment-cell technology (fluidised MFC, in a previous ITACA project). The aim is to demonstrate the technology at Mahou's brewery in Guadalajara to achieve energy savings, combining it with an electro-coagulation pretreatment to enable aluminium to be recycled.

In the Sustainability area, projects include:

- o **ALL-GAS:** consisting of producing bio-energy from wastewater treatment. The project is now in its final large-scale demonstration phase, with the building of 2 hectares of algae crops and a 2700 m³ digester. In 2017, the transformation of up to 2,000 m³/d of municipal effluent into biomethane to power up to 20 vehicles will be demonstrated. One car has already been running since the summer of 2016 using the biomethane produced by the 1,000 m² prototype.
- o **INCOVER:** a project launched in 2016 and led by the Aimen technology centre, with Aqualia as the leading firm in a consortium of eighteen entities from seven countries. This project creates synergy with existing facilities and the knowledge acquired in ALL-GAS to extend the use of algae biomass in products of higher value, such as bio-fertilisers and bio-plastics, and improve the production of reusable water.
- o **SABANA:** a project launched in 2016, led by the University of Almería, with Aqualia as the main principal industrial partner, together with Westphalia (Germany) and the Italian food group Veronesi in a consortium of eleven entities from five countries (also the Czech Republic and Hungary). The aim is to install 5 hectares of crops and a bio-refinery to achieve new bio-fertilisers and bio-pesticides as alternatives to chemical products, by using microalgae, to open the way to agriculture that is "safer" both for consumers and for the environment.

In the Quality area, projects include:

- o **LIFE MEMORY:** in the framework of the development of the project a 50 m³ reactor has been commissioned in Alcázar de San Juan, demonstrating the technical and economic feasibility of an innovative technology, an Anaerobic Membrane Bioreactor (SAnMBR), which makes it possible to convert the organic matter contained in waste water directly into biogas. Without the conventional aerobic stage, energy consumption and CO₂ emissions are reduced by up to 80%, with 25% less

space required than a conventional aerobic WWTP and a reduction of around 50% in the volume of sludge produced.

- o **LIFE BIOSOL:** a project titled Biosolar Water Reuse and Energy Recovery, led by the French SME Heliopur, has now completed the first demonstration stage at El Centa (Seville). The new solar wastewater treatment enables the water to be reused and organic waste to be recovered. Implementation on a larger scale at Almería WWTP is being assessed.
- o **BIOWAMET BESTF2:** is being developed under the European ERANET programme, in partnership with Southampton and Delft universities. In synergy with the Life Memory project on anaerobic reactors with membranes, it is being implemented at a small EDAR in the Lower Ebro to obtain bio-energy and reusable water.
- o **LIFE METHAMORPHOSIS:** Aqualia leads a consortium of six entities (with Área Metropolitana de Barcelona, FCC SA, Gas Natural, Icaen and SEAT). Three recently developed technologies are being built at Besós Ecopark, managed by the FCC Group: **ANMBR**, **ELAN** (autotrophic nitrogen elimination) and a biogas-washing system. The end product will be biomethane that can be injected into the natural-gas network or used as fuel for cars.
- o **INNOVA E3N:** the project consists of the energy-efficient elimination of nitrogen, continuing on from the Innova Impactar project funded by the Cantabria Regional Government and optimising the pilot implemented in Santander's sewerage network to demonstrate decentralised compact treatment plants.
- o **PIONEER:** part of the European ERA-NET Cofund Water Works programme within the WATER JPI initiative, led by the USC, partners Aqualia with a network of universities (Verona/IT, DTU/DK and KTH/SE) to improve the elimination of micropollutants and reduce the environmental impact of treatment with technologies such as ELAN and estruvite precipitation.
- o **MEDRAR:** co-funded by the Conecta Peme programme to foster RIS 3 priorities identified in Galicia and supported by the European Regional Development Fund, has the objective of improving treatment in small towns and villages. Together with two SMEs and led by the USC, compact automated modules are being developed, integrated into the rural environment, with minimum impact and costs.

Over the course of 2016, the research team at FCC Aqualia has obtained two new patents for key aspects of the feeding of a UASB anaerobic reactor and for the washing of biogas and elimination of H₂S and CO₂.

Also during the year five patent applications were made for different demonstration technologies: ELAN, AnMBR, MDC, MFC and estruvite crystallisation.

In addition, the results of the related research were presented at major scientific congresses and events.

CONSTRUCTION

FCC Construcción fosters an active policy of technological development, while permanently applying innovation to its construction projects, with a firm commitment to research and

development, sustainability and the contribution to quality of life in Society as competitiveness factors. This innovation policy is coordinated with the other business areas of the FCC Group.

The development and use of innovative technologies to carry out construction projects contribute significant value added and are differentiating factors in the current market, which is highly competitive and internationalised.

The projects developed by FCC Construcción and its investees are of three types: internal projects, projects with other FCC Group companies and projects carried out in conjunction with other companies in the industry or other related industries, frequently with technology-driven SMEs, which makes it possible to perform open innovation projects with a participation in the value chain and, occasionally, on a horizontal cooperation basis. Also, the presence of universities and technological institutes is fundamental in practically all the projects.

Also, the involvement of universities and technology centres is a key factor in practically all these projects.

Algunos de los proyectos se llevan a cabo en consorcio con Administraciones Públicas, como es el caso del Proyecto Europeo LIFE **IMPACTO CERO**, en el que participa el Administrador de Infraestructuras Ferroviarias (Adif).

Some of the projects are carried out in consortia with Public Authorities, such as the European LIFE **IMPACTO CERO**, *Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines*, with the participation of the Spanish Railway Infrastructure Manager (Adif).

In 2016 various new projects were approved:

- o **CALA**: in the RETOS 2016 call for proposals, the objective of which is to improve hydrological security and increase the reservoir capacity of brick dams by implementing lateral spill-collection channels. Calculation code, experimental validation and construction process.
- o **ROBIM**: as part of the CIEN programme, the objective of which is an autonomous robot to inspect and assess existing buildings with BIM integration, developing an automated, active and multidisciplinary technology for inspection, assessment and diagnosis of the composition, condition and energy efficiency of the walls of existing buildings, thereby facilitating the obtaining of reliable information in sufficient detail on building systems and pathologies and a comprehensive analysis of the building.
- o **CYRENE**: approved by CDTI (Industrial Technological Development Centre) and developed by MATINSA, the objective of which is to develop a new system for the integrated management of road tunnels containing the control of all installations and implementing optimised global-management strategies.

FCC Construcción carries out both Spanish and international R&D+i projects.

In Europe, as part of the H2020 programme, the following projects are currently being worked on:

- o **IN2RAIL** (Innovative Intelligent Rail), led by Network Rail. The aim of this project is to set the foundations for a resilient, consistent, cost-efficient, high capacity and digitised European railway network. Innovative technologies will be studied for a global approach that covers an intelligent infrastructure, intelligent mobility management (I2M), new power sources for railways and energy management. The results of this project will contribute to the Shift2rail initiative, a PPP dedicated to railways and falling within the Horizon 2020 programme, the objective of which is to make progress towards the introduction of the single European railway area.
- o **NANOFASE:** (Nanomaterial Fate and Speciation in the Environment). The objective of this project is to determine the fate of nanomaterials in the environment.
- o **REWASTEE:** under the Eco-Innovation call for proposals and aimed at the industrial validation, market deployment and replication of a developed technology for recycling steelmaking wastes and manufacturing multifunctional building products.
- o **BUILDSMART:** (Energy Efficient Solutions Ready for the Market). The purpose of this project is to demonstrate that it is possible to construct buildings with very low energy consumption in an innovative and profitable way. The project includes the design, construction and monitoring of new residential and non-residential buildings in Sweden, Ireland and Spain.
- o **IMPACTO CERO:** The objective of this project is to develop an anti-collision screen for birdlife based on the concept of equally-spaced tubular screens.
- o **ASPHALTGEN:** project developed by Servià Cantó based on research into new asphalt aggregate paving with self-generating features based on technology consisting of ionic liquids encapsulated in inorganic materials.
- o **GUIDENANO:** project developed by Servià Cantó that is developing innovative methodologies to evaluate and manage human and environmental health risks of nanoenabled products, considering the whole product life cycle.

The following Spanish projects carried out in 2016 are worthy of mention:

- o **DOVICAIM:** project developed in conjunction with Instituto de Hidráulica Ambiental "IH Cantabria", and is aimed at developing an integrated methodology and the tools required to support the complete life cycle of the construction of vertical docks using prefabricated blocks in a floating dock, including design, optimisation, construction, installation and operation. The project is focused directly on the clear strategic priority of ensuring the international development of FCC Construcción.
- o **SORT-i:** project from the Retos-Colaboración tender process, its main objective is the development of tools based on optical systems and new technologies for the identification, monitoring and management of structural risks of buildings and infrastructure in an intelligent, automatic and telemetric manner, as a means to maximise safety and minimize the risks of physical damage in high-potential situations of structural collapse.
- o **SETH:** project developing a comprehensive structural monitoring system for buildings based on holistic technologies.

- o **APANTALLA:** project consisting of developing new nanostructured materials with improved electromagnetic radiation shielding properties.
- o **MERLIN:** project based on the development of better local refurbishment of infrastructure. This project was carried out in cooperation with the Cementos Portland Valderrivas Group.
- o **TRILOBITES:** project based on detecting and identifying toxic gases.
- o **DANAE:** project with the objective of achieving smart regulation of tunnel lighting, led by MATINSA.

FCC Construcción is participating in numerous European and Spanish R&D+i associations with the shared objective of articulating the role of the company as a driving force behind research, development and technological innovation in the Construction Area, pursuant to the approach taken in the EU's current H2020 programme.

CEMENTOS PORTLAND VALDERRIVAS

The Cementos Portland Valderrivas Group's (CPVG) commitment to society takes the form of innovation in products, processes and technologies inherent to the materials it processes and manufactures.

Its innovation is designed strategically on the basis of three main axes:

- o Product innovation. Leading to high-durability and high-mechanical performance cements.
- o Sustainable construction. To obtain eco-efficient materials with a reduced carbon footprint.
- o Construction solutions. Based on integral customer service.

In the Group's other activities the circular economy continues to be encouraged by using alternative raw materials and fuels in our production processes, thereby enabling us to achieve savings in CO2 emissions.

Fuel derived from waste is used in the furnaces at production facilities, having previously been handled at appropriate treatment plants operated by firms duly authorised by the local authorities (authorised waste handlers). The main advantage of this process is its use of the heat energy that this waste contains, thereby reducing in part the consumption of traditional fossil fuels, mostly derived from oil.

In 2016 the Cementos Portland Valderrivas Group has consolidated heat replacement with alternative fuels in its clinker furnaces, achieving an average value of 12% across all its plants. Spain has maintained a rate of heat replacement of 11% in 2016. Part of these fuels consist of biomass, thereby avoiding emissions into the atmosphere of approximately 94,900 tonnes of CO2, equivalent to the average annual emissions produced by 52,750 cars, i.e. approximately 0.2% of the cars in Spain. Worthy of mention here is the beginning of valuation testing at the Tunisia plant, using biomass.

Energy valuation is now a standard, consolidated practice in countries such as Germany, Austria, Belgium, Denmark, the Netherlands, Sweden and Switzerland, where landfills have practically disappeared, unlike the current situation in Spain, where more than half the waste generated ends up at a landfill.

In addition, the Group encourages the responsible use of natural resources by valuing the materials obtained from industrial by-products, replacing natural raw materials to save non-renewable resources and avoid the impact that their use has on the natural environment. In 2016, the consumption of raw materials was 565,000 tonnes of industrial by-products.

Among other activities this year, the work done the previous year on the R&D project **MERLIN**, approved in the INNPACTO call for proposals by the Ministry of Finance and Competitiveness, has been justified.

In 2016 new challenges were tackled such as the emergence of other lines of research at the R&D laboratories that the entity has been developing, relating mainly to cement quality or the improvement of its applications, through studies of durability performance in reinforced concrete structures, without overlooking the broadening of the range of special products offered.

Dissemination of the results led to the Group's participation in various international cement industry congresses.

All the initiatives carried out contribute to strengthening the image of the Cement Area, especially with the synergies established with a large number of potential users and external companies, technical research institutes, universities and government-controlled public sector bodies, positioning the Cementos Portland Valderrivas Group as a benchmark in RDI in the development and application of cement-based materials in the industry.

8 ACQUISITION AND DISPOSAL OF TREASURY 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.

9 OTHER RELEVANT INFORMATION. STOCK MARKET PERFORMANCE AND OTHER INFORMATION

9.1. Stock Market 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

9.2. Dividends

No dividends were paid in the period.

10 DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES UNDER ESMA RULES (2015/1415es)

EBITDA

We define EBITDA as the profit from continuous operations before tax, profit or loss of companies by the equity method, financial profit or loss, amortisation expenses, impairment and profit or loss from disposals of non-current assets, subsidies and net variation in provisions and other non-recurring expenditure and income.

EBIT

This corresponds to the operating profit or loss in the profit and loss account and consolidated earnings presented in the enclosed consolidated financial statements.

ORDERS

The FCC Group uses its orders as an off-book measure for certain business areas. We calculate orders for our Environmental Services, Water and Construction divisions, as their business is based on contracts in the long or medium term. We do not calculate orders for the Cement division, owing to the typically short-term nature of the ordering cycle.

On a given date orders are defined as the production or services pending, i.e. contracted sums or clients' orders, excluding taxes, minus any sum under such contracts or orders that has already been recognised as income. Pending income is valued according to current prices on the calculation date. Only sums that are binding on clients under a contract in effect or confirmed order are included as orders.

In the Environmental Services division we recognise the orders resulting from waste-handling contracts only if the contract guarantees exclusivity in the geographical area where the plant, landfill or facility is located.

In the Water division, the FCC Group calculates the income portfolio based on long-term estimates over the course of the contract, which are used as the basis for contracts with clients and at the rates established under those contracts.

In the Construction division, the FCC Group recognises orders only when there is a contract or order signed by the end client.

Once a contract has been included in orders, the value of the production pending completion under that contract remains on the order book until it is completed or cancelled. However, we do make valuation adjustments to reflect any changes to prices and deadlines that may be agreed with the client. For example, after the calculation date a given price may rise or fall as a result of the production contracted owing to additional work to be done. Owing to multiple factors, some or all of the orders linked to a contract may give rise to actual earnings or not. As our orders are subject to projects being altered and cancelled, they cannot be taken as a reliable indication of future earnings.

11 ANNUAL CORPORATE GOVERNANCE REPORT
