Environmental

9M2017
EARNINGS REPORT

Water

Infrastructures

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FCC Aqualia signed a contract to build the Abu Rawash wastewater treatment plant in Egypt

1. SIGNIFICANT EVENTS

Pablo Colio appointed CEO of FCC

In September, the Board of Directors of FCC, S.A. voted unanimously to appoint Pablo Colio as Group CEO in place of Carlos M. Jarque, who resigned last September 12th and who continues as a proprietary director. The new CEO has extensive experience, including 23 years in a range of executive positions within the FCC group.

FCC Aqualia signed a contract worth $320 million for a new wastewater treatment plant in Egypt

The USD 320 million project, which includes the design, construction, operation and maintenance of the plant, was awarded by the Egyptian government, which will fund 100% of the project under a DBO deal with a consortium in which FCC has a 50% stake. The plant, which will be one of the biggest in the world, will serve 6 million people by processing 1.6 million cubic metres per day.

Environmental Services commissioned its ninth energy-from waste plant and obtained contracts in Spain worth over €230 million in the third quarter

This year, Environmental Services started up its ninth energy-from-waste plant, to serve Worcestershire and Herefordshire, in the United Kingdom. The complex was designed, developed and built by Mercia Waste Management, a company owned 50% by FCC.

During the third quarter, the company obtained a number of contracts in Spain, for municipal solid waste collection, treatment and for street cleaning, worth a total of over €230 million.

Environmental Services brought new contracts into service before schedule and expanded its fleet in the US in order to palliate the effects of the hurricanes in September

The Group's environmental services business in the US, which is concentrated in the states of Texas and Florida, stepped up its activities in order to help offset the impact of the hurricanes in those two states. In Houston, Texas, it doubled the size of the fleet in service to help combat flooding, while in Polk County, Florida, it voluntarily commenced waste collection services earlier than scheduled in order to palliate the effects of another hurricane.

FCC Construction is a member of the winning consortia for three sections of railway line in Romania, worth €599 million, and for Mexico City airport.

In April 2017, CNFR, Romania's national railway company, adjudicated the contract to upgrade three sections of railway in the Transylvania region to a consortium of which FCC Construction is a member. The amount attributable to FCC is €599 million and the period for execution is 36 months. This contract establishes Romania as one of the Group's main markets; it is involved in contracts there worth a combined total of €2,106 million, and FCC Construction is now one of the leading companies in developing Romania's transport infrastructure,

In January, Mexico City's public airport authority awarded a contract to build the terminal building for the New International Airport for Mexico City (NAICM) to a consortium of companies headed by Grupo Carso, in which FCC Construction has a 14.3% stake, since its bid was rated the best in economic and technical terms. The contract amounts to €3,900 million and is to be completed in 44 months.

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

The novation of the conditions governing FCC, S.A.'s syndicated loan came into force on 8 June 2017; this is a milestone in the process of optimising the Group's finances and had an immediate positive impact on cash flow. The refinancing agreement was completed with the early repayment of 1,100 million of existing borrowings using the funds obtained from two bond issues by FCC Aqualia, S.A. in the international market. The bonds, with nominal amounts of €700 million and €650 million, mature in 2022 and 2027 and pay annual coupons of 1.413% and 2.629%, respectively.

After this partial repayment, the parent company's net debt was reduced substantially to a balance of €1,484 million as of 30 September 2017, -36.3% less than at the end of 2016, and its maturity was extended to five years, while the interest rate on the bulk was linked to Euribor plus a spread of 2.3%, i.e. about 170 basis points less than in the previous structure. This combined deal also substantially reduced the FCC Group's overall funding costs.

FCC Citizen Services

2. EXECUTIVE SUMMARY

◊ Net attributable profit amounted to €153.5 million in the first nine months of 2017, contrasting with the loss of -€179.4 million in the same period of 2016, which included an adjustment to goodwill in the cement business. Profit accelerated notably in the third quarter, to €97 million, almost double the €56.5 million booked in the first half.

◊ Consolidated revenues amounted to €4,256.2 million, -2.8% less than in the same period of 2016. This reduction was due primarily entirely to the deconsolidation of Giant (cement business in the US) since 1 November 2016, and also to the euro's strength against most of the other currencies in which the Group operates. Adjusting for both effects, revenues would have increased by +2.3% year-on-year in the first nine months of 2017.

◊ Group EBITDA declined slightly, by -2.6%, in the period to €597.1 million, from €613.3 million in the same period of 2016. Adjusting for the aforementioned effects in revenues, EBITDA would have increased by +2%. At 14%, the EBITDA margin was similar to the same period of 2016. EBITDA performance reflected the outcome of the measures to improve efficiency in structural expenses (-22.2% year-on-year), synergies and productivity improvements.

◊ Net financial expenses declined by -23.9% to €156.8 million in the period, even though the 2016 figure included a positive contribution of €58 million as a result of refinancing transactions. Excluding that effect, the reduction would have been -40,6%. Additionally, only the third quarter figures reflect the impact of refinancing the parent company's debt on 8 June 2017.

◊ Consolidated net interest-bearing debt amounted to €3,810.6 million at 30 September 2017, a reduction of -8.8% year-on-year. Net debt has increased by €219.7 million so far this year. This is due mainly to a seasonal increase in working capital and to the €56.1 million paid to buy out minority shareholders in the Cement division in February.

KEY FIGURES

(M€)	**Sept. 17**	**Sept. 16**	**Chg. (%)**
Net sales	4,256.2	4,380.0	-2.8%
EBITDA	597.1	613.3	-2.6%
EBITDA margin	14.0%	14.0%	*0.0 p.p*
EBIT	318.3	(44.4)	N/A
EBIT margin	*7.5%*	*-1.0%*	*8.5 p.p*
Income attributable to equity holders of the parent company	153.5	(179.4)	-185.6%
Net financial debt	3,810.6	4,176.7	-8.8%
Backlog	30,345.2	30,566.4	-0.7%

FCC Citizen Services

3. SUMMARY BY BUSINESS AREA

Area	Sept. 17	Sept. 16	Chg. (%)	% of 2017 total	% of 2016 total
(M€)					
REVENUES BY BUSINESS AREA					
Environment	2,039.6	2,047.7	-0.4%	47.9%	46.8%
Water	763.6	747.4	2.2%	17.9%	17.1%
Construction	1,181.4	1,134.4	4.1%	27.8%	25.9%
Cement	256.0	429.3	-40.4%	6.0%	9.8%
Corp. services and adjust.	15.6	21.2	-26.4%	0.4%	0.5%
Total	**4,256.2**	**4,380.0**	**-2.8%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	2,365.1	2,262.3	4.5%	55.6%	51.7%
United Kingdom	578.8	675.9	-14.4%	13.6%	15.4%
MENA	478.6	513.4	-6.8%	11.2%	11.7%
Central Europe	422.4	384.4	9.9%	9.9%	8.8%
Latin America	261.3	231.6	12.8%	6.1%	5.3%
US and Canada	45.6	210.4	-78.3%	1.1%	4.8%
Others	104.4	102.0	2.4%	2.5%	2.3%
Total	**4,256.2**	**4,380.0**	**-2.8%**	**100.0%**	**100.0%**
EBITDA*					
Environment	306.0	318.2	-3.8%	51.2%	51.9%
Water	181.6	170.8	6.3%	30.4%	27.8%
Construction	50.5	34.0	48.5%	8.5%	5.5%
Cement	45.2	74.3	-39.2%	7.6%	12.1%
Corp. services and adjust.	13.8	16.0	-13.8%	2.3%	2.6%
Total	**597.1**	**613.3**	**-2.6%**	**100.0%**	**100.0%**
EBIT					
Environment	144.6	169.0	-14.4%	45.4%	N/A
Water	117.4	105.7	11.1%	36.9%	N/A
Construction	72.5	(47.4)	N/A	22.8%	106.8%
Cement	17.3	(161.8)	-110.7%	5.4%	N/A
Corp. services and adjust.	(33.5)	(109.9)	-69.5%	-10.5%	N/A
Total	**318.3**	**(44.4)**	**N/A**	**100.0%**	**100.0%**

Area	Sept. 17	Dec. 16	Chg. (%)	% of 2017 total	% of 2016 total
NET DEBT					
With recourse	1,484.0	2,329.1	-36.3%	38.9%	64.9%
Without recourse					
Environment	355.4	439.0	-19.0%	9.3%	12.2%
Water	1,407.1	246.2	N/A	36.9%	6.9%
Construction	0.0	0.0	N/A	0.0%	0.0%
Cement	489.3	511.4	-4.3%	12.8%	14.2%
Corporate	74.8	65.2	14.7%	2.0%	1.8%
Total	**3,810.6**	**3,590.9**	**6.1%**	**100.0%**	**100.0%**
BACKLOG*					
Environment	10,652.5	11,151.7	-4.5%	35.1%	36.5%
Water	14,895.6	14,955.9	-0.4%	49.1%	48.9%
Construction	4,797.1	4,482.3	7.0%	15.8%	14.7%
Total	**30,345.2**	**30,589.9**	**-0.8%**	**100.0%**	**100.0%**

** See page 22 for a definition of the calculation in accordance with ESMA rules (2015/1415en).*

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

Citizen Services

4. INCOME STATEMENT

(M€)	**Sept. 17**	**Sept. 16**	**Chg. (%)**
Net sales	**4,256.2**	**4,380.0**	**-2.8%**
EBITDA	**597.1**	**613.3**	**-2.6%**
EBITDA margin	***14.0%***	***14.0%***	***0.0 p.p***
Depreciation and amortisation	(277.3)	(312.5)	-11.3%
Other operating income	(1.5)	(345.3)	-99.6%
EBIT	**318.3**	**(44.4)**	**N/A**
EBIT margin	***7.5%***	***-1.0%***	***8.5 p.p***
Financial income	(156.8)	(206.0)	-23.9%
Other financial results	(9.0)	4.4	N/A
Equity-accounted affiliates	33.7	63.2	-46.7%
Earnings before taxes (EBT) from continuing operations	**186.2**	**(182.8)**	**N/A**
Corporate income tax expense	(27.1)	(32.3)	-16.1%
Income from continuing operations	**159.1**	**(215.1)**	**-174.0%**
Income from discontinued operations	0.0	(7.3)	-100.0%
Net income	**159.1**	**(222.4)**	**-171.5%**
Non-controlling interests	(5.6)	43.0	-113.0%
Income attributable to equity holders of the parent company	**153.5**	**(179.4)**	**-185.6%**

4.1 Net sales

The Group's consolidated revenues declined by 2.8% in the first nine months of 2017 to €4,256.2 million, as a result mainly of deconsolidating the US cement business in November 2016 and, to a lesser extent, of the depreciation of certain currencies against the euro, principally the sterling pound (-8.1% in the first nine months with respect to the same period of 2016). Adjusting for both effects, consolidated revenues increased by 2.3%.

Revenues rose steadily in the Water division despite the decline in the Technology and Networks area (waterworks design, engineering and equipment) caused by the completion of certain projects and reduced activity in certain international projects. There was a slight decline in revenues in Environmental Services due to the aforementioned negative exchange rate effect in the UK (-€48.6 million in the period), which was partly offset by greater activity by the UK recycling plants, new contracts in the US and increased activity in all Central European markets.

The Infrastructure divisions reported a 4.1% increase in Construction revenues due to expanded activity on projects in Spain and certain Latin American countries, including notably Panama and Peru, while the 40.4% decline in the Cement area is due broadly to deconsolidation of Giant in the US. Adjusting for changes in the consolidation scope, this area's figures reflect a setback in Tunisia in both domestic sales and exports to neighbouring countries, plus a deterioration of the exchange rate.

Revenue breakdown, by region			
(M€)	**Sept. 17**	**Sept. 16**	**Chg. (%)**
Spain	2,365.1	2,262.3	4.5%
United Kingdom	578.8	675.9	-14.4%
Middle East & North Africa	478.6	513.4	-6.8%
Central Europe	422.4	384.4	9.9%
Latin America	261.3	231.6	12.8%
US and Canada	45.6	210.4	-78.3%
Others	104.4	102.0	2.4%
Total	**4,256.2**	**4,380.0**	**-2.8%**

Revenues increased by 4.5% in Spain to €2,365.1 million, supported by growth in all business areas. In particular, Construction registered a 9.6% increase due mainly to increased work for the private sector, coupled with 7.1% growth in Cement due to revival of construction during the year. Water expanded by 4.2% due to growth in water demand in certain areas, particularly the coastal regions, and Environmental Services by 2.9% as a result of the commencement and expansion of a number of contracts.

Latin America recovered, as revenues increased by 12.8% due to a larger contribution from certain projects such as Panama City Metro line 2 and Lima Metro in Peru. In the Water division, the Networks and Technology area completed a number of water projects in Chile and Uruguay.

Revenues in Central Europe expanded rapidly, by 9.9%, due to increased activity in the Environmental Services division in most countries in the region, particularly the Czech Republic, as a result of special winter contracts and, to a lesser extent, to more moderate growth in the other markets in the region.

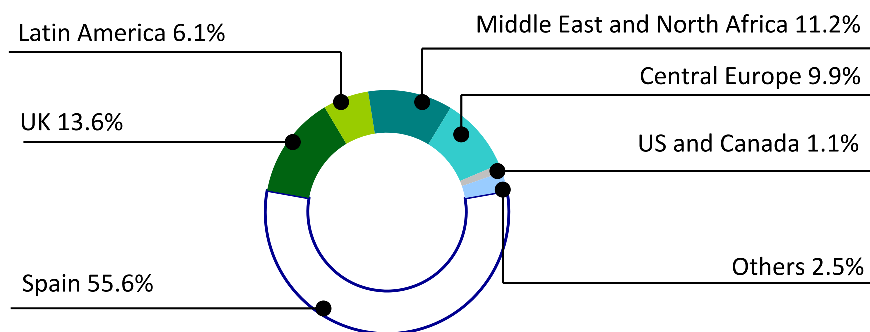
In the UK, the Group's second-largest geographical market, revenues declined by 14.4% due basically to the exchange rate effect, as sterling depreciated by 8.1% with respect to the same period of 2016. The decline was also due, to a lesser extent, to the reduction in landfill tax collection for local authorities, partly offset by a higher revenue contribution from operating and developing energy-from-waste plants.

Revenues in the Middle East and North Africa declined by 6.8% as a result of shrinkage in domestic sales by the Cement business in Tunisia and the steady depreciation of the Tunisian dinar against the euro, plus a reduction in exports to neighbouring countries. Additionally, the Construction area booked an adjustment to the degree of progress with the Riyadh Metro project.

In the United States and Canada, revenues declined 78,3% as a result of deconsolidating the parent company of the Cement business in that region in November 2016. Excluding that business, revenues in that region increased by 1.3% in like-for-like terms as a result of the entry into service of a number of waste collection and treatment contracts (Florida and Texas, respectively) in the Environmental Services area, which offset the slower progress by Construction given the advanced state of the projects in the region.

Revenues in Other markets increased by 2.4%, due basically to the start-up of a new industrial installation contract at Dublin airport (Ireland) and growth in Water and Environmental Services contracts in Portugal.

% Revenues by region



4.2 EBITDA

EBITDA amounted to €597.1 million in the first nine months of 2017, a 2.6% decline year-on-year due to the effects discussed earlier in the context of revenues; adjusting for them, EBITDA would have increased by +2%. General and administration expenses continued to be reduced throughout the Group in line with projected activity, along with efficiency measures and synergies. Overall, expenses continued to decline, having fallen by 22.2% in the period.

EBITDA performance by business area was as follows:

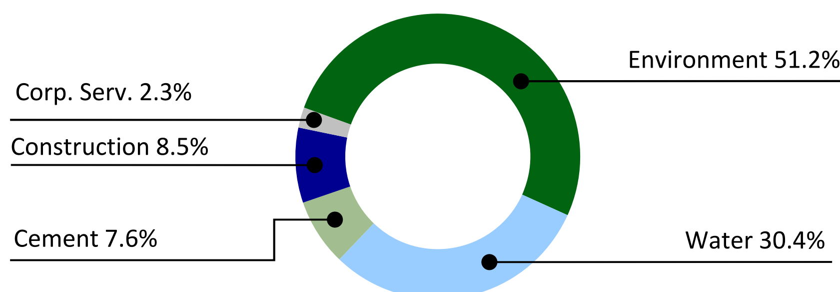
Environmental Services achieved €306 million in EBITDA, a 3.8% decline year-on-year. This reduction was due mainly to the exchange rate effect (pound sterling and Egyptian pound), which had an €8.5 million impact, and the base effect of certain one-off items in 2016 (default interest and the Spanish tax on retail sale of hydrocarbons) plus other factors such as the increase in fuel costs.

The Water area reported €181.6 million in EBITDA, 6.3% more than in the same period of 2016, supported by higher returns on international concessions, which improved the EBITDA margin to 23.8% in the period.

EBITDA in the Construction area amounted to €50.5 million, and the EBITDA margin improved to 4.3% in the period, a considerable increase on the 3% margin obtained in the first nine months of 2016. This substantial improvement is due to the sizeable reduction in general and administration expenses, with the favourable effect of the adjustment made last year, and, to a lesser extent, to the increase in revenues this year.

The main impact in Cement was the deconsolidation on 1 November 2016 of the Cement business in the US; that business ceased to contribute revenues and is now equity-accounted. This area's EBITDA declined by 39.2% to €45.2 million, as a result mainly of the elimination of the US contribution and, to a lesser extent, of operating performance in Tunisia, where sales declined and the Tunisian dinar depreciated sharply (-13.4%).

% EBITDA by Business Area



As a result of that performance, Environmental Services and Water accounted for 81.6% of Group EBITDA in the period, compared with 18.4% from infrastructure construction, building and other minor activities.

4.3 EBIT

EBIT amounted to €318.3 million, a sharp contrast with the €-44.4 million loss booked in the same period of 2016. The difference between years is due mainly to the base effect, both the €299.9 million impairment to Cement area goodwill booked in September 2016 and the €53.4 extraordinary provision in the Construction area booked in May 2016. The increase in this item was also supported by an 11.3% decline in depreciation due both to deconsolidation in the Cement area and the lower use of property, plant and equipment associated with Construction projects. This year's figures also include a €13.3 million extraordinary expense item due to the adjustment on the sale of industrial assets in the US in 2014.

4.4 Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations amounted to €186.2 million. due to EBIT performance and the effect of the following items:

4.4.1 Financial income

Net financial expenses declined by 23.9% year-on-year to €156.8 million in the first nine months of 2017. It is important to note that the financial result in 2016 included the positive impact of reducing the Tranche B debt by €58 million through a Dutch auction in April 2016. Excluding that effect, net financial expenses declined by 40,6% due to the progressive impact of measures taken to reduce indebtedness and the related interest expenses. The positive effects of all the financial optimisation measures, particularly the novation of the parent company's syndicated loan and the bonds issued by FCC Aqualia in June, will become visible progressively in the coming months.

4.4.2 Other financial results

This item amounted to €-9 million, contrasting with €4.4 million in the same period of 2016. The difference between years is due to higher exchange differences this year and to the €13.8 million gain on the sale of 10% of Malaga Metro in the first half of 2016.

4.4.3 Equity-accounted affiliates

Companies carried by the equity method contributed €33.7 million to earnings in the first nine months, as a result of the positive ordinary contribution by affiliates, mainly in the Water, Environmental Services and transport concession businesses, offset by losses in the Cement business in the US (Giant Cement — equity-accounted). This contrasts with the €63.2 million recognised in 2016, which included the haircut agreed upon with Realia's lenders, which enabled that affiliate to contribute €28.8 million, and €16.4 million in dividends from a holding in a renewable energy company.

4.5 Income attributable to the parent company

Net attributable income in 9M17 amounted to €153.5 million, contrasting sharply with the €-179.4 million in losses booked in the same period of 2016, and was due to the items referred to above plus the following factors:

4.5.1 Income tax

The corporate income tax expense amounted to €27.1 million, contrasting with €32.3 million last year. This reduction is attributable to recognition in the third quarter of a number of tax credits, plus adjustments recognised for double taxation in a number of international transactions in the Construction area.

4.5.2 Income from discontinued operations

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

4.5.3 Non-controlling interests

Non-controlling interests were attributed a profit of €5.6 million in the first nine months of 2017, contrasting with a loss of €-43 million in 2016. This sharp difference is due to the aforementioned effect of non-controlling interests' share in the adjustment booked to goodwill in the Cement area last year.

FCC Citizen Services

5. BALANCE SHEET

(M€)	**Sept. 17**	**Dec. 16**	**Change (M€)**
Intangible assets	2,516.0	2,536.3	(20.3)
Property, plant and equipment	2,447.9	2,534.6	(86.7)
Equity-accounted affiliates	695.5	669.0	26.5
Non-current financial assets	342.7	322.3	20.4
Deferred tax assets and other non-current assets	858.0	946.6	(88.6)
Non-current assets	**6,860.2**	**7,008.7**	**(148.5)**
Non-current assets available for sale	13.3	14.9	(1.6)
Inventories	581.1	581.6	(0.5)
Trade and other accounts receivable	1,908.1	1,754.7	153.4
Other current financial assets	137.2	263.7	(126.5)
Cash and cash equivalents	1,002.8	1,146.1	(143.3)
Current assets	**3,642.6**	**3,761.1**	**(118.5)**
TOTAL ASSETS	**10,502.8**	**10,769.8**	**(267.0)**
Equity attributable to equity holders of parent company	907.2	791.3	115.9
Non-controlling interests	75.4	145.5	(70.1)
Net equity	**982.6**	**936.8**	**45.8**
Grants	232.3	225.5	6.8
Non-current provisions	1,143.8	1,175.6	(31.8)
Long-term interest-bearing debt	4,766.8	4,590.1	176.7
Other non-current financial liabilities	54.6	69.2	(14.6)
Deferred tax liabilities and other non-current liabilities	472.4	535.3	(62.9)
Non-current liabilities	**6,669.9**	**6,595.6**	**74.3**
Liabilities linked to non-current assets available for sale	13.3	14.9	(1.6)
Non-current provisions	166.1	202.9	(36.8)
Short-term interest-bearing debt	183.7	411.0	(227.3)
Other current financial liabilities	87.3	82.2	5.1
Trade and other accounts payable	2,400.0	2,526.3	(126.3)
Current liabilities	**2,850.3**	**3,237.3**	**(387.0)**
TOTAL LIABILITIES	**10,502.8**	**10,769.8**	**(267.0)**

5.1 Equity-accounted affiliates

The investment in equity-accounted companies (€695.5 million) comprised the following at 30 September 2017:

1) €209.5 million for the 36.9% stake in Realia.
2) €75.2 million for investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).
3) €79.5 million for holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).
4) €40.8 million for the 45% stake in Giant Cement Holding, the parent company of the Cement division in the US, which is now equity-accounted, whereas it was fully consolidated through November 2016, and €21.1 million for other companies in which the Cement area's parent company has a stake.
5) €269.4 million for other holdings (transport infrastructure concessions and renewable energy companies) and loans to affiliated companies.

5.2 Non-current assets and liabilities available for sale

The balance of €13.3 million in non-current assets available for sale at the end of September 2017 was practically unchanged and related entirely to the residual business of Cemusa in Portugal. Those assets had associated liabilities for the same amount: €13.3 million.

5.3 Cash and cash equivalents

Cash and cash equivalents amounted to €1,002.8 million at the end of the period, 12.5% less than the balance at 2016 year-end due to the seasonal increase in working capital that takes place in the first half every year.

5.4 Net equity

At the end of September 2017, equity amounted to €982.6 million, including a 14.6% increase attributable to the Group parent company as a result of earnings in the period. The amount attributed to non-controlling interests declined by €70.1 million as a result of buying out the bulk of non-controlling interests in the Cement area in the first quarter of 2017.

5.5 Net interest-bearing debt

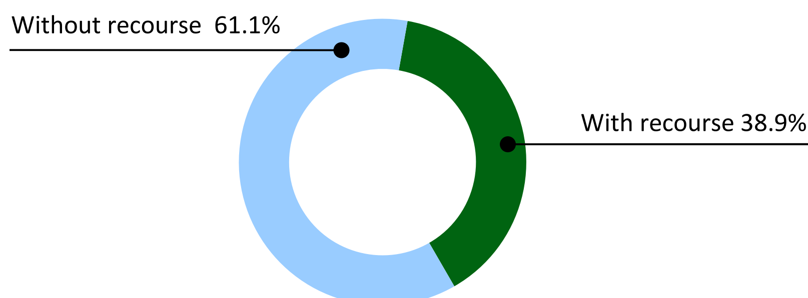
(M€)	**Sept. 17**	**Dec. 16**	**Change (M€)**
Bank borrowings	3,166.0	4,536.1	(1,370.1)
Debt instruments and other loans	1,588.9	232.4	1,356.5
Accounts payable due to financial leases	47.9	49.4	(1.5)
Derivatives and other financial liabilities	147.7	183.1	(35.4)
Gross interest-bearing debt	**4,950.5**	**5,001.1**	**(50.6)**
Cash and other current financial assets	(1,139.9)	(1,410.1)	270.2
Net interest-bearing debt	**3,810.6**	**3,590.9**	**219.7**
With recourse	*1,484.0*	*2,329.1*	*(845.1)*
Without recourse	*2,326.6*	*1,261.8*	*1,064.8*

At the end of September 2017, net interest-bearing debt amounted to €3,810.6 million, €219.7 million more than at 2016 year-end. This increase was the result of several factors, including notably: A €204.6 million increase in working capital, which is a normal phenomenon in the early months every year and tends to

reverse steadily in the second half, and the €56.1 million spent in February to buy out most of the non-controlling interests in the Cement area.

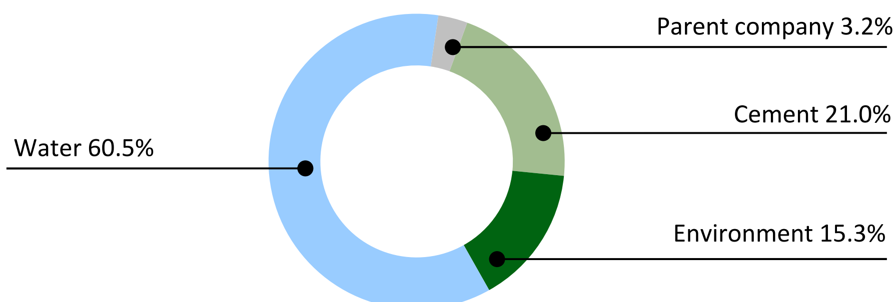
Gross interest-bearing debt, which is the basis of the financial expenses, declined slightly to €4,950.5 million.

Debt with and without recourse



Net interest-bearing debt is divided between corporate debt (38.9%) and debt without recourse (61.1%). Net debt with recourse includes mainly legacy debt from the acquisition of a number of operating companies in the various divisions (excluding Cement) which is structured mostly as a syndicated loan. The reduction in this item with respect to 2016 year-end is due to the early partial repayment of €1,100 million using funds from the FCC Aqualia bond issue in June.

Net debt without recourse, by area



Net interest-bearing debt without recourse to the Group parent company amounted to €2,326.6 million at the end of the third quarter, including the two FCC Aqualia bonds totalling €1,350 million that were issued in the international capital markets in June. As a result, Water is now the division with the largest amount of non-recourse net debt (€1,407.1 million), which includes not only the aforementioned bonds but also €183.9 million attributable to the business in the Czech Republic and the remainder to end-to-end water concessions in Spain. The Cement area accounts for €489.3 million, while Environmental Services accounts for €355.4 million (€279.5 million in connection with UK activities, €56.7 million related to Central Europe, and the remainder to other waste treatment and recycling plants in Spain and Portugal). The €74.8 million at parent company level is the net project debt of the concession companies for the Coatzacoalcos tunnel in Mexico and the Conquense highway in Spain.

5.6 Other current and non-current financial liabilities

The balance of other current and non-current financial liabilities, which do not qualify as interest-bearing debt, was €141.9 million at the end of September. It includes financial liabilities such as those associated with hedging derivatives, suppliers of fixed assets, and deposits and guarantees received.

FCC Citizen Services

6. BUSINESS PERFORMANCE

6.1. Environment

The Environmental Services area accounted for 51.2% of Group EBITDA. A total of 95% of its activities involve municipal solid waste collection, treatment and disposal, along with other municipal services such as street cleaning and green area upkeep. The other 5% corresponds to industrial waste management.

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

6.1.1. Results

(M€)	**Sept. 17**	**Sept. 16**	**Chg. (%)**
Revenues	2,039.6	2,047.7	-0.4%
Environment	*1,938.2*	*1,952.3*	*-0.7%*
Industrial Waste	*101.4*	*95.4*	*6.3%*
EBITDA	306.0	318.2	-3.8%
EBITDA margin	*15.0%*	*15.5%*	*-0.5 p.p*
EBIT	144.6	169.0	-14.4%
EBIT margin	*7.1%*	*8.3%*	*-1.2 p.p*

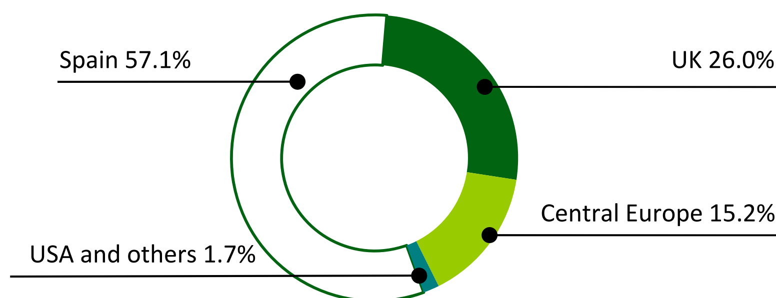
The Environmental Services area achieved €2,039.6 million in revenues in the third quarter, 0.4% less than in the same period of 2016. This change is attributable entirely to the depreciation of the pound sterling and the Egyptian pound; adjusting for the currency effect, this area's revenues would have increased by 2.2%.

Revenue breakdown, by region			
(M€)	**Sept. 17**	**Sept. 16**	**Chg. (%)**
Spain	1,164.0	1,131.1	2.9%
United Kingdom	529.9	600.3	-11.7%
Central Europe	309.4	282.7	9.4%
USA and others	36.3	33.6	8.0%
Total	**2,039.6**	**2,047.7**	**-0.4%**

Revenues in Spain increased by 2.9% year-on-year to €1,164 million, favoured by contract renewals in previous quarters. Revenues in the UK fell 11.7% to €529.9 million, as a result mainly of sterling's depreciation (-8.1%) and, to a lesser extent, of the smaller contribution from landfill levies in the landfill business, which was partly offset by the higher contribution from developing and operating waste treatment, recycling and energy-from-waste plants.

Revenues in Central Europe increased by 9.4% to €309.4 million, mainly due to a larger volume of winter business in the Czech Republic and a general increase in activity in the other countries in the region, including notably Austria, Hungary and Slovakia. Revenues in the USA and other markets increased by 8% due to the higher contribution from new waste management contracts that have become operational in Texas and Florida, which offset the negative effect of the Egyptian pound's 51.8% depreciation year-on-year.

Revenue breakdown, by region



EBITDA amounted to €306 million, a 3.8% reduction year-on-year, affected by depreciation of sterling and the Egyptian pound (equivalent to €8.5 million), higher energy costs, and the base effect of certain one-off items booked in 2016 (default interest and the Spanish tax on the retail sale of hydrocarbons).

EBIT declined by 14.4% year-on-year to €144.6 million due to the aforementioned EBITDA performance and €13.3 million in extraordinary expenses recognised for settling a claim in connection with the sale of industrial waste management assets in the US in 2014.

Backlog breakdown, by region

(M€)	**Sept. 17**	**Dec. 16**	**Chg. (%)**
Spain	6,242.6	6,663.9	-6.3%
International	4,409.9	4,487.8	-1.7%
Total	**10,652.5**	**11,151.7**	**-4.5%**

The area's backlog declined by 4.5% with respect to 2016 year-end. The backlog in Spain declined by 6.3% due to the delay in the award of certain contracts, while the international backlog declined slightly because of the depreciation of the pound sterling and the US dollar. The total backlog amounts to close to 4 times revenues in the last twelve months.

6.1.2. Financial debt

(M€)	**Sept. 17**	**Dec. 16**	**Change (M€)**
Without recourse	355.4	439.0	(83.6)

The area's net interest-bearing debt without recourse declined by €83.6 million in the period. Of the total outstanding debt, €279.5 million relates to the UK, €56.7 million to Central Europe and the remaining €19.2 million to waste treatment and recycling plants in Spain and Portugal.

6.2. End-to-End Water Management

The Water area contributed 30.4% of FCC Group EBITDA in the period. Public service concessions and end-to-end water management (capture, purification, distribution and treatment) account for 91.0% of total revenues, and Technology and Networks (design, engineering and outfitting of water infrastructure) account for the other 9.0%.

FCC serves more than 13 million people in over 850 municipalities in Spain. In Central Europe, FCC serves 1.3 million users, mainly in the Czech Republic. It also has a presence in Italy and Portugal. FCC designs, equips and operates water treatment plants in Latin America, the Middle East and North Africa. Overall, the Water division supplies water and/or sewage treatment services to over 23.6 million people.

6.2.1 Earnings

(M€)	**Sept. 17**	**Sept. 16**	**Chg. (%)**
Revenues	763.6	747.4	2.2%
Concessions and services	*695.1*	*674.6*	3.0%
Technology and networks	*68.5*	*72.8*	-5.9%
EBITDA	181.6	170.8	6.3%
EBITDA margin	*23.8%*	*22.9%*	*0.9 p.p*
EBIT	117.4	105.7	11.1%
EBIT margin	*15.4%*	*14.1%*	*1.2 p.p*

This area's revenues amounted to €763.6 million, a 2.2% increase on the same period of 2016, due to the increase in revenues from concessions and services in a range of markets, principally Spain, which was partly offset by a reduction in the technology and networks business, mainly in the international arena.

Revenue breakdown, by region

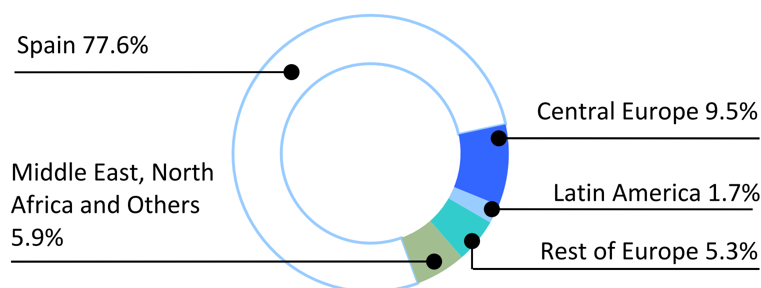
(M€)	**Sept. 17**	**Sept. 16**	**Chg. (%)**
Spain	592.8	568.8	4.2%
Central Europe	72.6	68.7	5.7%
Latin America	12.8	23.7	-46.0%
Rest of Europe (Portugal and Italy)	40.4	41.0	-1.5%
Middle East, North Africa and Others	45.0	45.2	-0.4%
Total	**763.6**	**747.4**	**2.2%**

Revenues in Spain increased by 4.2%, basically as a result of growth in the concession business, which achieved a higher volume of billing, and the contribution by new contracts obtained in 2016.

On the international front, revenues declined in Latin America as a result of a slower pace of project execution since several technology and network contracts, basically in Chile and Uruguay, entered the final phase or were concluded.

Revenues declined slightly in Portugal and Italy and were stable in the Middle East and North Africa, where the progressive conclusion of ancillary works on Riyadh Metro was offset by a faster pace of execution of desalination plants in Tunisia and Egypt.

Revenue breakdown, by region



EBITDA increased by 6.3% year-on-year, to €181.6 million, favoured by an increase in the EBITDA margin to 23.8%. That performance was driven mainly by the increase in the contribution by concession businesses, whose margins are higher than those of technology and networks, and, to a lesser extent, by a number of non-recurring revenues recognised in the period.

Backlog breakdown, by region

(M€)	**Sept. 17**	**Dec. 16**	**Chg. (%)**
Spain	8,418.5	8,753.0	-3.8%
International	6,477.1	6,202.9	4.4%
Total	**14,895.6**	**14,955.9**	**-0.4%**

The backlog declined by 0.4% with respect to 2016 year-end, to €14,895.6 million, as a result of a temporary contraction of the domestic backlog, which was offset by growth in the international backlog. The area's backlog is close to 15 times revenues in the last twelve months.

6,2.2. Financial debt

(M€)	**Sept. 17**	**Dec. 16**	**Change (M€)**
Without recourse	1,407.1	246.2	1,160.9

Net debt, all of which is without recourse to the Group parent company, increased sharply with respect to 2016 year-end, to €1,407.1 million. This strong increase is due to the issuance on 8 June of two bonds by the area's parent company, at 5 and 10 years, for a combined €1,350 million. With these new funds raised in the market, all the area's funding is without recourse to the Group parent company and is independent of the rest of the Group. The bond issue also made it possible to adapt the long-term capital structure in line with the area's nature and cash flow.
In addition to those bonds, the area's net debt at the end of the third quarter also included €183.9 million related to the business in the Czech Republic, and the other €60.7 is connected to an end-to-end water concession in Spain (Aquajerez).

6.3. Construction

The Construction area contributed 8.5% of FCC Group EBITDA in the first nine months of 2017. It is mainly involved in the design and construction of large civil engineering and industrial works in certain geographies. It undertakes highly complex public works such as railways, tunnels and bridges, which, with industrial installation and maintenance projects, account for the bulk of its activity.

(M€)	**Sept. 17**	**Sept. 16**	**Chg. (%)**
Revenues	1,181.4	1,134.4	4.1%
EBITDA	50.5	34.0	48.5%
EBITDA margin	*4.3%*	*3.0%*	*1.3 p.p*
EBIT	72.5	(47.4)	N/A
EBIT margin	*6.1%*	*-4.2%*	*10.3 p.p*

This area's revenues maintained the growth trend observed in the first half, rising by 4.1% to €1,181.4 million due to an overall improvement in international and domestic operations.

Revenue breakdown, by region

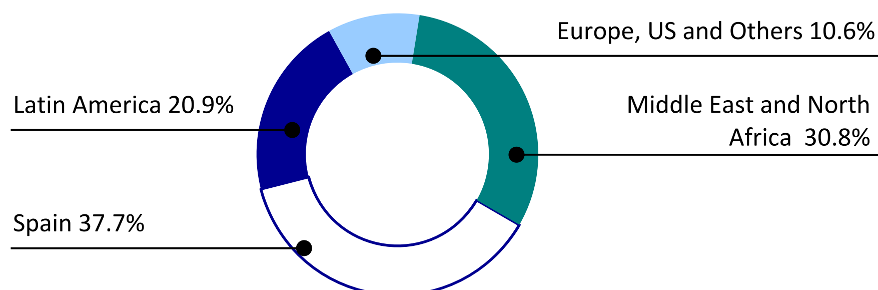
(M€)	**Sept. 17**	**Sept. 16**	**Chg. (%)**
Spain	445.7	406.8	9.6%
Middle East and North Africa	363.6	372.5	-2.4%
Latin America	246.6	202.9	21.5%
Europe, US, etc.	125.5	152.2	-17.5%
Total	**1,181.4**	**1,134.4**	**4.1%**

Revenues in Spain increased by 9.6% due broadly to greater progress with ongoing projects for private sector customers, which amply offset the persisting adverse situation of scant activity and low public investment in infrastructure.

Revenues in the Middle East and North Africa fell by 2.4% due mainly to a readjustment of the degree of progress with the Riyadh Metro project in Saudi Arabia. That decline was amply offset by 21.5% year-on-year growth in revenues in Latin America, attributable mainly to the larger contribution by Panama City Metro line 2 and, to a lesser extent, by Lima Metro (Peru).

Revenues in Europe, the US and other markets declined by 17.5% due to the smaller contribution from projects that have been completed or are nearing completion in the UK, Finland and the US, which were not fully offset by new projects in other markets, including notably the project to upgrade aircraft fuelling facilities at Dublin airport (Ireland) and railway projects in Romania.

Revenue breakdown, by region



EBITDA amounted to €50.5 million, significantly higher than the €34 million registered in the same period of 2016, which included recognition of losses on certain international projects and of provisions for taxes. This substantial improvement is also attributable to a sharp reduction in structural expenses achieved through the adjustments implemented in 2016 and, to a lesser extent, to the effect of higher revenues in the period.

EBIT amounted to €72.5 million in the first nine months of 2017, including €40 million profit on the sale of real estate subsidiary FCyC to the Group parent company in the first quarter, an internal transaction that has no impact on the FCC Group's consolidated results. The loss of €47.4 million booked in the first nine months of 2016 included a €53.4 million provision to adjust production resources to the lower demand for infrastructure investment in Spain. But for those two effects, EBIT would have increased by €26.5 million year-on-year.

Backlog breakdown, by region

(M€)	**Sept. 17**	**Dec. 16**	**Chg. (%)**
Spain	1,025.1	1,038.7	-1.3%
International	3,772.0	3,443.6	9.5%
Total	**4,797.1**	**4,482.3**	**7.0%**

The area's backlog increased by 7% with respect to 2016 year-end, to €4,797.1 million. The backlog in Spain declined by just 1.3% despite the reduction in investment in public infrastructure, while the International backlog expanded considerably, by 9.5%, since it includes the attributable amount of sizeable railway contracts in Romania (€599 million) at the end of the third quarter.

Backlog breakdown, by business segment

(M€)	**Sept. 17**	**Dec. 16**	**Chg. (%)**
Civil engineering	3,787.8	3,467.2	9.2%
Building	591.9	654.9	-9.6%
Industrial projects	417.4	360.2	15.9%
Total	**4,797.1**	**4,482.3**	**7.0%**

Civil engineering expanded its share of the backlog to 79.0%, while building's share declined to 12.3%. Industrial contracts account for the remaining 8.7%.

6.4. Cement

The Cement area accounted for 7.6% of FCC Group EBITDA in the first nine months of 2017, through the 98.5% stake in Cementos Portland Valderrivas (CPV). This area produces mainly cement; it has seven factories in Spain and one in Tunisia, as well as a 45% stake in Giant Cement, which has three cement factories on the Eastern Seaboard of the United States.

6.4.1. Results

(M€)	**Sept. 17**	**Sept. 16**	**Chg. (%)**
Revenues	256.0	429.3	-40.4%
Cement	*232.8*	*382.9*	*-39.2%*
Other	*23.2*	*46.4*	*-50.1%*
EBITDA	45.2	74.3	-39.2%
EBITDA margin	*17.7%*	*17.3%*	*0.3 p.p*
EBIT	17.3	(161.8)	-110.7%
EBIT margin	*6.8%*	*-37.7%*	*44.4 p.p*

This area's revenues declined by 40.4% year-on-year to €256 million, mainly as a result of deconsolidating the US subsidiary, Giant Cement, as of 1 November 2016. But for that effect, revenues would have declined by 3.0%.

Revenue breakdown, by region

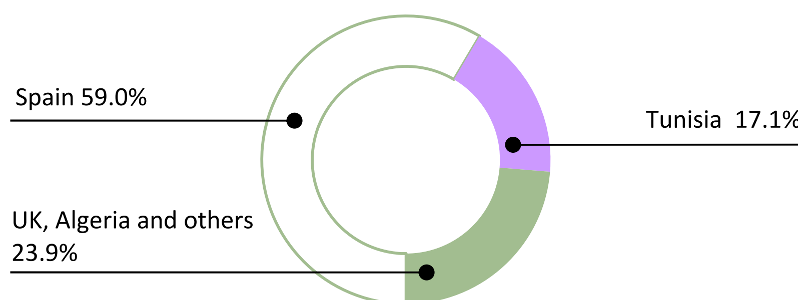
(M€)	**Sept. 17**	**Sept. 16**	**Chg. (%)**
Spain	151.1	141.1	7.1%
US and Canada	1.9	165.4	-98.9%
Tunisia	43.9	53.1	-17.3%
UK and others	59.1	69.7	-15.2%
Total	**256.0**	**429.3**	**-40.4%**

Revenues in Spain increased by 7.1% due to the strong growth in demand volume and a slight improvement in average selling prices, all driven by strong domestic demand for construction, which was concentrated in the private sector.

Revenues in Tunisia declined by 17.3% because of a combination of 13.4% year-on-year depreciation by the Tunisian dinar and a decline in domestic market volumes and prices.

Revenues from exports to the UK and other markets declined by 15.2% due to the sharp reduction in exports to certain countries in north Africa. Hardly any revenues were recognised in the US or Canada in the period since the business in that region was deconsolidated in November 2016, as described in the preceding section.

Revenue breakdown, by region



EBITDA declined by 39.2% to €45.2 million, from €74.3 million in the same period of 2016. This difference is mainly due to the lack of a contribution from the US in 2017 and, to a lesser extent, to the decrease in volumes and prices in Tunisia in the first nine months. EBITDA in the period includes €0.9 million from the sale of emission rights.

Despite the reduction in EBITDA, EBIT improved to €17.3 million, as a result mainly of the €187.2 million value adjustment to goodwill recognised in the third quarter of 2016 and, to a lesser extent, of the 42.5% reduction in depreciation charges as a result of deconsolidating Giant Cement.

6.4.2. Financial debt

(M€)	**Sept. 17**	**Dec. 16**	**Change (M€)**
Without recourse	489.3	511.4	(22.1)

The area's net interest-bearing debt, which is entirely without recourse to the FCC Group parent company, consists mainly of a syndicated loan. The €22.1 million decline with respect to 2016 year-end is attributable to the repayment on maturity of a tranche of that funding during the period.

7. SHARE DATA

7.1. Share performance

	Jan. – Sept. 2017	Jan. – Sept. 2016
Closing price (€)[1]	8.480	8.442
Change in the period	*9.42%*	*24.78%*
High (€)[1]	9.879	9.382
Low (€)[1]	7.675	6.038
Average daily trading (shares)	81,938	2,175,902
Average daily trading (M€)	0.7	15.9
Market cap. at end of period (M€)	3,212	3,198
No. of shares outstanding at end period	378,825,506	378,825,506

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

7.2. Dividends

No dividends were paid in the first nine months of 2016.

7.3. Own shares

At 30 September 2017, the FCC Group held a total of 230,100 own shares directly and indirectly (0.06% of the company's capital).

On 1 August 2017, the company disclosed the cancellation of the liquidity contract in force until that date (Regulatory Disclosure no. 255550). There was no liquidity contract in force at the date of this report.

FCC Citizen Services

Explanatory note

EBITDA

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

Backlog

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

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

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

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

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

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

8. DISCLAIMER

The interim financial information contained in this document was obtained from the consolidated interim financial statements as of 30 September 2017, prepared in accordance with the International Financial Reporting Standards (IFRSs) that had been adopted by the European Union at the end of the period, in conformity with Regulation (EC) no 1606/2002 of the European Parliament and of the Council of 19 July 2002,

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FCC Citizen Services

9. CONTACT DETAILS

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