Citizen Services

9M2018
EARNINGS REPORT

Environmental

Water

Infrastructures

Contract for the design and construction of the expansion of Jorge Chavez international airport in Peru

1. SIGNIFICANT EVENTS

FCC completed the sale of a minority stake in FCC Aqualia for €1,024 million

The sale of a 49% stake in FCC Aqualia, the parent company of the water division, to IFM for €1,024 million was completed on 28 September. The funds were used mainly to reduce interest-bearing debt at the Group parent company by over €800 million; this, combined with new funding arranged in more advantageous conditions, made it possible to cancel the pre-existing syndicated loan arranged by FCC, S.A. The other funds from the sale were allocated to other corporate purposes.

FCC Aqualia will maintain its current strategy, operational structure and management team. Additionally, the inclusion of a new shareholder strengthens the company's capacity to grow and ratifies the company's track record in end-to-end water management.

FCC Environmental Services obtains the contract for the second phase of the Guipúzcoa environmental complex

FCC Environmental Services heads a group of companies that have signed the contract to develop the second phase of the Guipúzcoa Environmental Complex. The contract covers construction, commissioning and operation, for a 20-year period, of a facility that represents an investment of over €32 million and an estimated €92 million in future revenues. The facility will comprise a biomethanisation plant and a plant for recycling slag produced by the energy-from-waste plant in the first phase of the complex. It is expected to come into operation in the summer of 2019.

FCC Construction lands a project to expand Lima airport

The consortium of which FCC Construction is a member was chosen to design and build the extension to Lima's international airport (Peru). The client, Lima Airport Partners, awarded the contract following an exhaustive pre-qualification phase in which companies that are acknowledged world leaders in airport construction participated. The infrastructure will triple the size of the airport's facilities. This contract has not yet been included in the backlog. FCC Construction and CICSA were previously awarded a contract to expand a number of sections of the Inter-American Highway in Panama with a combined budget of USD 892 million. The work will be performed by FCC Americas, owned 50% each by FCC Construction and CICSA. The work, which will be executed along 50 kilometres of the highway, is scheduled to take over 20 months.

As a result, order intake in this area amounted to €1,600 million in the first nine months of 2018, with the result that the backlog increased by 6.4% with respect to 2017 year-end.

FCC Aqualia obtained international contracts worth close to €250 million for the development and operation of water plants

Panama's Ministry of Health has chosen FCC Aqualia's proposal to design, build, operate and maintain the Arraiján Este waste water treatment plant. Worth €75 million, it is the Water division's first project in Panama. In the first quarter of 2018, SAOC, a joint venture of Aqualia and Majis Industrial Services (owned by Oman Investment Fund), obtained a contract to develop, operate and maintain, for 20 years, all water-related services (capture, desalination, distribution and waste water treatment) in the Sohar port area, the most important district in northern Oman. The project is expected to provide close to €120 million in revenues. In Mexico, this division is to design, outfit, construct and commission the Guaymas (Sonora) desalination plant and operate and maintain it over a total period of 20 years. The project represents a backlog of close to €75 million.

FCC Group Investor Day on 31 July 2018

At the end of July, FCC's main shareholder and the executive team reported on the Group's actual situation, vision and strategy. Key issues that were discussed were the operating and financial strength achieved by the business areas, the flexible structure and the future growth potential, supported by technical leadership, specialised teams and the prospects for demand in the Group's business areas.

2. EXECUTIVE SUMMARY

- Net attributable income in 9M18 amounted to €176 million, 14.7% more than the €153.5 million reported in the same period of last year. This sizeable increase is attributable to improved performance in operating results; it also reflects an accounting expense amounting to €-59.3 million, with no cash effect, as a result of the requirement under accounting standards to recognise the total repayment of the pre-existing syndicated loan at the parent company upon replacement with a new structure with a lower cost and more competitive conditions.

- Group revenues amounted to €4,350.8 million, a 2.2% increase year-on-year. The increase is attributable broadly to performance by the Environment and Water divisions, coupled with higher demand in the Cement area, more than offsetting the euro's appreciation against the Group's other currencies and the lower activity in the Construction division. At constant exchange rates, Group revenues would have increased by 3.7%.

- EBITDA in the first nine months increased 8.1% to €645.7 million**.** This resulted in a 0.8-point increase in the EBITDA margin to 14.8%, one of the highest ever achieved by the Group. This achievement is attributable to measures to enhance efficiency (structural expenses were cut by -6.9% year-on-year), additional synergies and measures to increase productivity.

- Consolidated net interest-bearing debt amounted to €2,795.9 million at the end of September, a notable 21.9% reduction on December 2017, mainly as a result of the completion in September of the sale of a minority stake in the parent company of the water division for €1,024 million.

- Group equity doubled in the period with respect to December 2017, to €1,876.5 million.

KEY FIGURES

(M€)	**Sept. 18**	**Sept. 17**	**Chg. (%)**
Net sales	4,350.8	4,256.2	2.2%
EBITDA	645.7	597.1	8.1%
EBITDA margin	*14.8%*	*14.0%*	*0.8 p.p*
EBIT	366.8	318.3	15.2%
EBIT margin	*8.4%*	*7.5%*	*1.0 p.p*
Income attributable to equity holders of the parent company	176.0	153.5	14.7%

(M€)	**Sept. 18**	**Dec. 17**	**Chg. (%)**
Net equity	1,876.5	938.5	99.9%
Net financial debt	2,795.9	3,579.5	-21.9%
Backlog	29,513.2	29,377.4	0.5%

3. SUMMARY BY BUSINESS AREA

Area	Sept. 18	Sept. 17	Chg. (%)	% of 2018 total	% of 2017 total
(M€)					
REVENUES BY BUSINESS AREA					
Environment	2,095.7	2,039.6	2.8%	48.2%	47.9%
Water	826.0	763.6	8.2%	19.0%	17.9%
Construction	1,140.9	1,181.4	-3.4%	26.2%	27.8%
Cement	277.2	256.0	8.3%	6.4%	6.0%
Corp. services & adjust.	11.1	15.6	-29.3%	0.3%	0.4%
Total	**4,350.8**	**4,256.2**	**2.2%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	2,401.7	2,365.1	1.5%	55.2%	55.6%
United Kingdom	563.0	578.8	-2.7%	12.9%	13.6%
Middle East and Africa	470.9	473.7	-0.6%	10.8%	11.1%
Rest of Europe and RoW	368.8	328.1	12.4%	8.5%	7.7%
Latin America	281.2	270.9	3.8%	6.5%	6.4%
Czech Republic	207.9	194.0	7.2%	4.8%	4.6%
US and Canada	57.3	45.6	25.7%	1.3%	1.1%
Total	**4,350.8**	**4,256.2**	**2.2%**	**100.0%**	**100.0%**
EBITDA*					
Environment	324.4	306.0	6.0%	50.2%	51.2%
Water	186.1	181.6	2.5%	28.8%	30.4%
Construction	43.3	50.5	-14.3%	6.7%	8.5%
Cement	57.4	45.2	27.1%	8.9%	7.6%
Corp. services & adjust.	34.5	13.8	149.3%	5.3%	2.3%
Total	**645.7**	**597.1**	**8.1%**	**100.0%**	**100.0%**
EBIT					
Environment	159.3	144.6	10.2%	41.7%	45.4%
Water	120.4	117.4	2.6%	31.5%	36.9%
Construction	35.5	72.5	-51.0%	9.7%	22.8%
Cement	30.9	17.3	78.6%	8.1%	5.4%
Corp. services & adjust.	20.7	(33.5)	-161.8%	5.4%	-10.5%
Total	**366.8**	**318.3**	**15.2%**	**100.0%**	**100.0%**

Area	Sept. 18	Dec. 17	Chg. (%)	% of 2018 total	% of 2017 total
NET FINANCIAL DEBT*					
With recourse	746.9	1,283.1	-41.8%	26.7%	35.8%
Without recourse					
Environment	373.0	374.4	-0.4%	13.3%	10.5%
Water	1,268.1	1,383.8	-8.4%	45.4%	38.7%
Construction	0.0	0.0	N/A	0.0%	0.0%
Cement	349.4	475.6	-26.5%	12.5%	13.3%
Corporate	58.5	62.6	-6.5%	2.1%	1.7%
Total	**2,795.9**	**3,579.5**	**-21.9%**	**100.0%**	**100.0%**
BACKLOG*					
Environment	10,159.9	10,285.9	-1.2%	34.4%	35.0%
Water	14,776.8	14,791.6	-0.1%	50.1%	50.4%
Construction	4,576.5	4,299.9	6.4%	15.5%	14.6%
Total	**29,513.2**	**29,377.4**	**0.5%**	**100.0%**	**100.0%**

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

4. INCOME STATEMENT

(M€)	**Sept. 18**	**Sept. 17**	**Chg. (%)**
Net sales	**4,350.8**	**4,256.2**	**2.2%**
EBITDA	**645.7**	**597.1**	**8.1%**
EBITDA margin	***14.8%***	***14.0%***	***0.8 p.p***
Depreciation and amortisation	(285.0)	(277.3)	2.8%
Other operating income	6.2	(1.5)	N/A
EBIT	**366.8**	**318.3**	**15.2%**
EBIT margin	***8.4%***	***7.5%***	***1.0 p.p***
Financial income	(179.6)	(156.8)	14.5%
Other financial results	14.1	(9.0)	N/A
Equity-accounted affiliates	48.4	33.7	43.6%
Earnings before taxes (EBT) from continuing operations	**249.7**	**186.2**	**34.1%**
Corporate income tax expense	(67.0)	(27.1)	147.2%
Income from continuing operations	**182.7**	**159.1**	**14.8%**
Net income	**182.7**	**159.1**	**14.8%**
Non-controlling interests	(6.8)	(5.6)	21.4%
Income attributable to equity holders of the parent company	**176.0**	**153.5**	**14.7%**

4.1 Net sales

Group consolidated revenues increased by 2.2% in the first nine months of 2018, to €4,350.8 million due to higher activity in the Group's utility-type areas — Environmental and Water — and in the Cement division. In contrast, the Construction area experienced a slight decline during the year, particularly in the international arena, due to the depreciation of certain currencies against the euro, mainly the US dollar, which depreciated by -6.7% in year-on-year terms. At constant exchange rates, consolidated revenues increased by 3.7% in the period.

The division with the largest contribution, Environmental Services, increased revenues by 2.8%, the combination of sustained moderate growth in municipal services in Spain and a sharper 3.7% increase in other geographies, notably Central Europe and the United States, while there was a 1.4% increase in the United Kingdom, despite the exchange rate effect (-1.2%), due to an underlying improvement in the waste recycling and recovery business.

The Water business, which increased revenues by 8.2%, logged a substantial increase in Technology and Networks business (design, engineering and equipment of water infrastructure) related to the development of plants for subsequent operation, particularly in the international arena, together with stable revenues in the end-to-end water business.

As for the 'infrastructure-related' areas, the pace of decline in the Construction division's revenues slowed to 3.4%. This trend is attributable to two factors: (i) the impact of the dollar's depreciation on a number of international contracts tied to that currency; and (ii) the fact that certain large projects outside Spain were completed or nearing completion and have not yet been offset by new projects. The Cement area expanded revenues by 8.3%, mainly as a result of growth in demand in Spain and a recovery in exports.

Revenue breakdown, by region			
(M€)	**Sept. 18**	**Sept. 17**	**Chg. (%)**
Spain	2,401.7	2,365.1	1.5%
United Kingdom	563.0	578.8	-2.7%
Middle East and Africa	470.9	473.7	-0.6%
Rest of Europe and RoW	368.8	328.1	12.4%
Latin America	281.2	270.9	3.8%
Czech Republic	207.9	194.0	7.2%
US and Canada	57.3	45.6	25.7%
Total	**4,350.8**	**4,256.2**	**2.2%**

Revenues in Spain increased moderately, by 1.5% to €2,401.7 million. Environmental Services obtained a sustained 2.1% increase as a result of a number of extensions and new contracts in municipal waste treatment and street cleaning. Water revenues increased by 1% as a result of the combination of stability in the concessions and services business and more network and technology work related to operational contracts. The Cement area reported a notable 11% increase due to sustained growth in demand from construction, particularly from private sector customers.
The Construction area registered a 1.1% decline, mainly as a result of the completion of major projects last year.

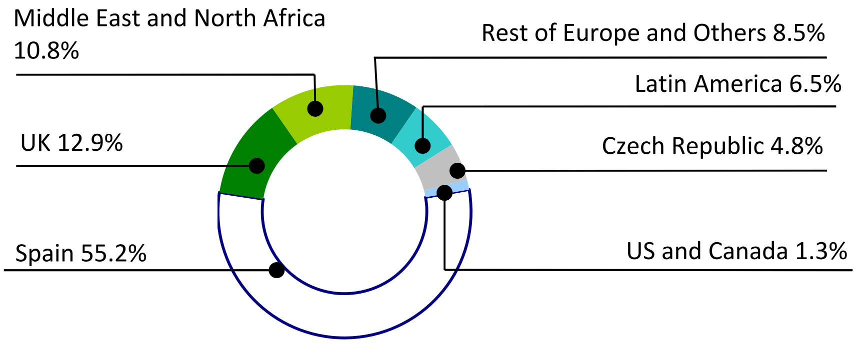
Revenues in the United Kingdom declined by 2.7% as a result of completion of the Mersey Gateway Bridge in the second half of 2017 and also of sterling's 1.2% depreciation against the euro in the period. In the Environmental Services area, the decline in landfill tax receipts, which are collected for government, was amply offset by greater waste recycling and abatement activity and the development of a new energy from waste plant.

Elsewhere in the EU, revenues increased by 12.4% in the Rest of Europe-Other area due to good performance by Environmental Services in many of the countries where the Group operates, together with greater progress with contracts in Ireland and Romania in the Construction area. Revenues in the Czech Republic increased by 7.2%, supported by 3.8% year-on-year appreciation of the Czech koruna, by strong performance in Environmental Services in the region, and by growth in the Water division.

Outside the EU, one of the largest areas in terms of volume is the Middle East and Africa, where the decline in revenues eased to 0.6% due to a number of factors. Egypt increased its contribution as new contracts in the Water area become operational; the contribution by Tunisia and Algeria declined as a result of the conclusion of certain construction projects linked to contracts now in operation. There was a negative currency effect in both Saudi Arabia (-6.9%) and Tunisia (-12.8%) and this is the main reason for the reduced contribution by both markets in the period.

Latin America increased revenues by 3.8% in the period, mostly as a result of the commencement of a Technology and Networks project in the Water area in Colombia. That offset Water projects that were completed in Mexico and Uruguay. Revenues in the United States and Canada increased sharply, by 25.7%, despite negative exchange rate performance in the period, due mainly to the startup of a number of waste collection and treatment contracts (Environmental Services area) in Florida and Texas.

% Revenues by region



4.2 EBITDA

EBITDA amounted to €645.7 million in the first nine months, a 8.1% increase year-on-year. This increase was driven by greater profitability in mainly all the Group's business areas, with a growing focus on efficiency and return on equity, coupled with synergies achieved and a 6.9% year-on-year reduction in structural and administration expenses throughout the Group.

Performance in the business areas in the first nine months was as follows:

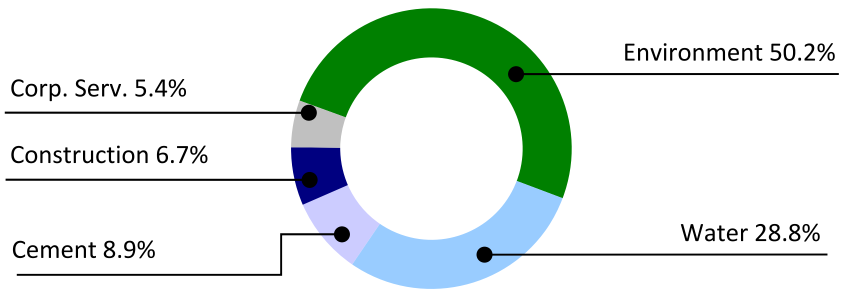
Environmental Services increased EBITDA by 6% to €324.4 million. This increase and the EBITDA margin achieved are due mainly to the greater contribution from higher-margin businesses (recycling and incineration), particularly in the international arena.

The Water area registered €186.1 million in EBITDA, 2.5% more than in the same period of 2017, supported by higher returns on concessions. The increase in activity in the Technology and Networks business, whose EBITDA margin is lower, explains the slight overall reduction in the EBITDA margin to 22.5% in the period.

EBITDA in the Construction area amounted to €43.3 million, 14.3% less than the previous year, and a 3.8% EBITDA margin, based on the pace of contracts under way.

Cement increased EBITDA by 27% to €57.4 million due to the higher contribution by the business in Spain and growth in exports from Tunisia in the framework of actions taken in response to the depreciation (-12.8%) by the Tunisian dinar in the period.

% EBITDA by Business Area



The "utilities-type" businesses — Environmental Services and Water — contributed 79% of EBITDA in the first nine months, while those related to infrastructure construction and building registered a more moderate 15.6% increase. The other 5.4% relates to the parent company and other lesser businesses (basically concessions).

4.3 EBIT

EBIT amounted to €366.8 million, 15.2% more than the €318.3 million reported in the same period of 2017. The interyear increase reflects the increase in operating profitability referred to earlier under EBITDA.
Depreciation and amortisation charges increased by 2.8%, are mainly due to the Environmental Services area and is related to an increase in operational recycling assets.

4.4 Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations totalled €249.7 million, a 34.1% increase on the €186.2 million reported in the same period of the previous year, due to EBIT performance and the effect of the following items:

4.4.1 Financial result

Net financial income amounted to €-179.6 million, a 14.5% increase year-on-year. This was the result of two different effects:
Firstly, a non-cash charge amounting to €-59.3 million was recognised in the third quarter in connection with repayment of the pre-existing syndicated funding to the parent company. That repayment was considered to be a non-substantial change (IFRS 9, which came into force on 1 January) such that the discounted value of its future cash flows was lower than its effective value and, consequently, the difference was presented as a reduction in the net carrying amount. That adjustment was eliminated in September when the debt was repaid in full; the accounting standard requires that this be recognised through profit or loss.
Meanwhile, other financial expenses, which mainly have a cash effect, declined by 23.4% in the period. This performance was due to the reduction in the cost of debt. Nevertheless, the results for the first nine months of 2018 do not reflect any impact from the sizeable reduction in debt as a result of the sale of a minority stake in Aqualia, the sale amount having been collected on 28 September.

4.4.2 Other financial results

This item amounted to €14.1 million, a sharp contrast with the €-9 million reported in the same period of 2017.
This difference is due to such factors as translation differences (€11.1 million this year, vs. €-26.1 million in the same period of 2017) caused by the Euro's performance with respect to most of the other currencies in which the Group operates.

4.4.3 Equity-accounted affiliates

Equity-accounted affiliates contributed €48.4 million in the period, a notable 43.6% increase on the €33.7 million reported in 2017. The main recurring items include investees in the Environmental Services and Transport concessions areas, plus €14.6 million from Construction, mainly as a result of completion of projects by investees in this area. The US Cement business (Giant Cement) made the only negative contribution.

4.5 Income attributable to the parent company

Net attributable income amounted to €176 million in the first nine months of 2018, 14.7% more than the €153.5 million reported in the same period of 2017, 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 €67 million, contrasting with €27.1 million last year. This was due to higher profits this year and the effect last year of recognising tax credits and the double taxation of certain Construction area activities in other countries.

4.5.2 Non-controlling interests

Non-controlling interests were attributed a profit of €6.8 million in the period, compared with €5.6 million in the same period of 2017. This increase is attributable to improved performance by the Construction division.

5. BALANCE SHEET

(M€)	**Sept. 18**	**Dec. 17**	**Change (M€)**
Intangible assets	2,441.4	2,485.2	(43.8)
Property, plant and equipment	2,392.4	2,459.0	(66.6)
Equity-accounted affiliates	694.9	650.6	44.3
Non-current financial assets	381.1	328.4	52.7
Deferred tax assets and other non-current assets	774.7	837.4	(62.7)
Non-current assets	**6,684.5**	**6,760.8**	**(76.3)**
Non-current assets available for sale	0.0	41.4	(41.4)
Inventories	691.1	569.6	121.5
Trade and other accounts receivable	1,836.7	1,798.3	38.4
Other current financial assets	179.4	158.6	20.8
Cash and cash equivalents	1,256.2	1,238.3	17.9
Current assets	**3,963.4**	**3,806.2**	**157.2**
TOTAL ASSETS	**10,647.9**	**10,566.9**	**81.0**
Equity attributable to equity holders of parent company	1,622.9	863.9	759.0
Non-controlling interests	253.6	74.6	179.0
Net equity	**1,876.5**	**938.5**	**938.0**
Grants	216.1	215.4	0.7
Non-current provisions	1,146.6	1,141.0	5.6
Long-term interest-bearing debt	3.961,1	4,224.6	(263.5)
Other non-current financial liabilities	58,5	55.0	3.,5
Deferred tax liabilities and other non-current liabilities	452,8	476.8	(24.0)
Non-current liabilities	**5.835,1**	**6,112.7**	**(277.6)**
Liabilities linked to non-current assets available for sale	0.0	14.2	(14.2)
Non-current provisions	195.1	165.8	29.3
Short-term interest-bearing debt	270.4	751.7	(481.3)
Other current financial liabilities	81.3	75.8	5.5
Trade and other accounts payable	2,389.4	2,508.1	(118.7)
Current liabilities	**2,936.2**	**3,515.7**	**(579.5)**
TOTAL LIABILITIES	**10,647.9**	**10,566.9**	**81.0**

5.1 Equity-accounted affiliates

The investment in equity-accounted companies (€694.9 million) comprised the following at 30 September 2018:

1) €214.9 million for the 36.9% stake in Realia.
2) €74 million for investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).
3) €84.6 million for holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).
4) €25.2 million for the 44.6% stake in Giant Cement Holding, the parent company of the Cement division in the US, and €22.2 million for other companies in which the Cement area's parent company has a stake.
5) €274 million for other holdings (mainly transport infrastructure concessions and renewable energy companies) and loans to affiliated companies.

5.2 Cash and cash equivalents

Cash and cash equivalents amounted to €1,256.2 million at the end of the quarter, similar to the amount in December 2017, although it includes the effect of the seasonal increase in working capital that is concentrated in the first half of the year and the part of the amount collected on the sale of the stake in Aqualia that, at the end of the quarter, had not yet been used to pay down certain financial facilities.

5.3 Net equity

Equity amounted to €1,876.5 million as of 30 September 2018, doubling the figure at the end of the previous year. This increase is due to a number of factors, including notably €799.9 million in equity attributable to the parent company that were generated on the sale of a minority stake in FCC Aqualia in the third quarter.

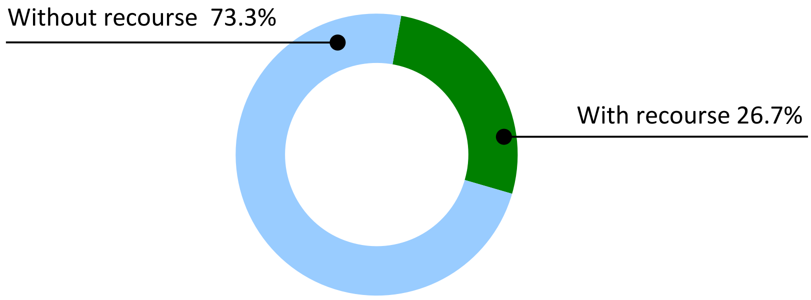
5.4 Net interest-bearing debt

(M€)	**Sept. 18**	**Dec. 17**	**Change (M€)**
Bank borrowings	2,276.5	3,157.2	(880.7)
Debt instruments and other loans	1,752.5	1,609.2	143.3
Accounts payable due to financial leases	53.3	59.8	(6.5)
Derivatives and other financial liabilities	149.2	150.1	(0.9)
Gross interest-bearing debt	**4,231.5**	**4,976.3**	**(744.8)**
Cash and other current financial assets	(1,435.6)	(1,396.8)	(38.8)
Net interest-bearing debt	**2,795.9**	**3,579.5**	**(783.6)**
With recourse	*746.9*	*1,283.1*	*(536.2)*
Without recourse	*2,049.0*	*2,296.4*	*(247.4)*

Net interest-bearing debt amounted to €2,795.9 million at the end of the period, 21.9% less than at the end of December 2017. The change is attributable to the receipt of €1,024 million for the sale of a minority stake in FCC Aqualia, as well as working capital performance and the payment of €92.5 million in January to buy out the entire stake of the non-controlling shareholder in the parent company of the Water business in the Czech Republic.

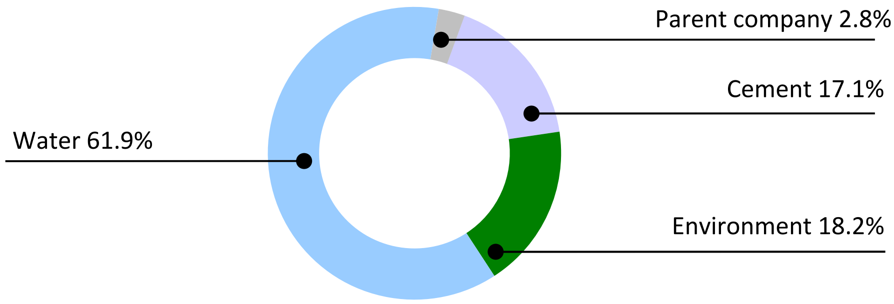
The balance of gross interest-bearing debt was reduced by 14.9% to €4,231.5 million due to the repayment in September of the parent company's pre-existing syndicated loan and the arrangement of a new facility amounting to €800 million less and with more efficient and favourable conditions.

Debt with and without recourse



Parent company interest-bearing debt had been reduced substantially at the end of the period, to 26.7% of the total, whereas 73.3% of the total is without recourse to the parent company. Net debt with recourse, which represents a minority proportion of the Group's debt, is related mainly to the Environmental Services contracts. It is structured as a syndicated loan arranged by FCC, S.A. that came into force in September.

Net debt without recourse, by area



Net interest-bearing debt without recourse to the Group parent company amounted to €2,049 million at the end of September. Water is the division with the largest amount of non-recourse net debt (€1,270.1 million), which includes not only the bonds issued by the area parent company but also €192.2 million attributable to the business in the Czech Republic and the remainder to end-to-end water concessions, mainly in Spain. The Cement area accounts for €349.4 million, while Environmental Services accounts for €373 million (€308.3 million in connection with UK activities, €44.5 million with Central Europe, and the remainder with two waste treatment and recycling plants in Spain). The €58.5 million at parent company level is the project debt of the Coatzacoalcos tunnel concession company in Mexico and the Conquense highway concession company in Spain.

5.5 Other current and non-current financial liabilities

Other current and non-current financial liabilities amounted to €139.8 million, similar to the €130.8 balance at 2017 year-end, and includes other liabilities not classified as interest-bearing debt, such as those linked to hedging derivatives, suppliers of property, plant and equipment, and deposits and guarantees received.

6. BUSINESS PERFORMANCE

6.1. Environment

The Environmental Services area accounted for 50.2% of Group EBITDA in the period. A total of 95.9% of its activities involve municipal solid waste collection, treatment and disposal, along with other municipal services such as street cleaning and green area upkeep for municipalities. The other 4.1% 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 is present throughout the waste management chain (collection, processing and disposal). In Portugal and other countries, such as the US, FCC is involved in both industrial and municipal waste management.

6.1.1. Earnings

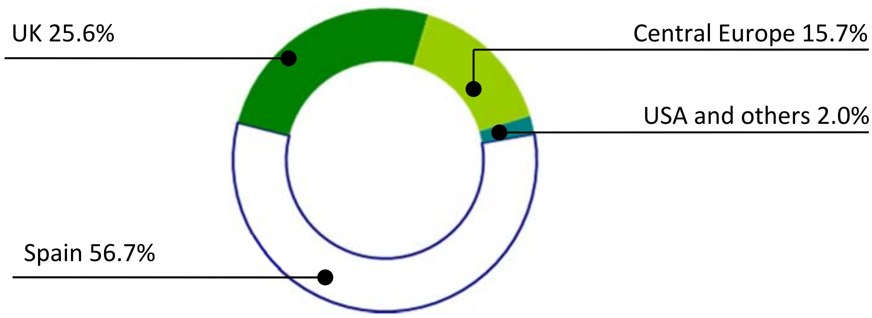
(M€)	**Sept. 18**	**Sept. 17**	**Chg. (%)**
Revenues	2,095.7	2,039.6	2.8%
Municipal waste	*2,008.8*	*1,954.3*	*2.8%*
Industrial waste	*86.9*	*85.3*	*1.9%*
EBITDA	324.4	306.0	6.0%
EBITDA margin	*15.5%*	*15.0%*	*0.5 p.p.*
EBIT	159.3	144.6	10.2%
EBIT margin	*7.6%*	*7.1%*	*0.5 p.p.*

This area's revenues amounted to €2,095.7 million in the period, 2.8% more than the previous year, due to improvements in all areas, the impact of new contracts, and the improvement at constant consolidation scope.

Revenue breakdown, by region			
(M€)	**Sept. 18**	**Sept. 17**	**Chg. (%)**
Spain	1,188.0	1,164.0	2.1%
United Kingdom	537.2	529.9	1.4%
Central Europe	329.7	309.4	6.6%
USA and others	40.8	36.3	12.4%
Total	**2,095.7**	**2,039.6**	**2.8%**

Revenues increased by 2.1% in Spain to €1,188 million, as the addition of new contracts offset the conclusion of others, all within a context of a low level of tenders for contract renewal.
Revenues in the United Kingdom increased slightly, by 1.4% to €537.2 million, mainly as a result of the higher contribution by the Allington incineration plant and the Bletchley landfill, which amply offset the negative exchange rate impact (sterling depreciated by 1.2% in the period).
Revenues in Central Europe increased by 6.6% to €329.7 million due to new decontamination projects in the Czech Republic, supported by the favourable performance of the Czech koruna (3.8%). Revenues in the USA and other markets increased by 12.4% due to the contribution from new waste management contracts in Polk County (Florida) and Rowlett (Texas) and despite lower prices for recycled byproducts.

Revenue breakdown, by region



EBITDA increased to €324.4 million, 6% more than in the same period of 2017, supported by higher returns in the waste recycling business, higher performance by incineration plants in the UK, and the contribution by new contracts. This amply offset the increase in fuel costs and the decline in the prices of recycled byproducts. As a result, the EBITDA margin increased to 15.5% in the period.

EBIT increased by 10.2% year-on-year to €159.3 million due to the aforementioned EBITDA performance and the increase in depreciation and amortisation charges for revenue-producing assets.

Backlog breakdown, by region

(M€)	**Sept. 18**	**Dec. 17**	**Chg. (%)**
Spain	5,924.7	6,129.9	-3.3%
International	4,235.2	4,156.0	1.9%
Total	**10,159.9**	**10,285.9**	**-1.2%**

The area's backlog declined slightly, by 1.2%, with respect to 2017 year-end, to €10,159.9 million; this was due to the prevalence of contract extensions over renewals in Spain, complemented by slight growth in the international backlog, concentrated in the United Kingdom.

6.1.2. Financial debt

(M€)	**Sept. 18**	**Dec. 17**	**Change (M€)**
Without recourse	373.0	374.4	(1.4)

Net interest-bearing debt without recourse to the parent company declined by €1.4 million to €373 million at the end of September. The largest components of interest-bearing debt are the €308.3 million relating to the UK, whose terms and duration were recently enhanced, €44.5 million relating to the company that heads the Central Europe area, and the other €20.2 million to two waste treatment and recycling plants in Spain.

6.2. End-to-End Water Management

The Water area accounted for 28.8% of FCC Group EBITDA in the period. Public concessions and end-to-end water management (capture, potabilisation, distribution and sanitation) account for 85% of total revenues, and Technology and Networks (water infrastructure design, engineering and equipment) account for the other 15%.

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

6.2.1 Earnings

(M€)	**Sept. 18**	**Sept. 17**	**Chg. (%)**
Revenues	826.0	763.6	8.2%
Concessions and services	*702.4*	*695.5*	*1%*
Technology and networks	*123.6*	*68.1*	*81.5%*
EBITDA	186.1	181.6	2.5%
EBITDA margin	*22.5%*	*23.8%*	*-1.3 p.p.*
EBIT	120.4	117.4	2.6%
EBIT margin	*14.6%*	*15.4%*	*-0.8 p.p.*

This area's revenues amounted to €826 million in the first nine months of the year, an 8.2% increase on the same period of the previous year, due broadly to strong growth in the technology and networks business in other countries, mainly linked to development of plants that will be under operation and maintenance contracts in the future. There was also a slight increase in concession revenues, mainly in the international arena.

Revenue breakdown, by region

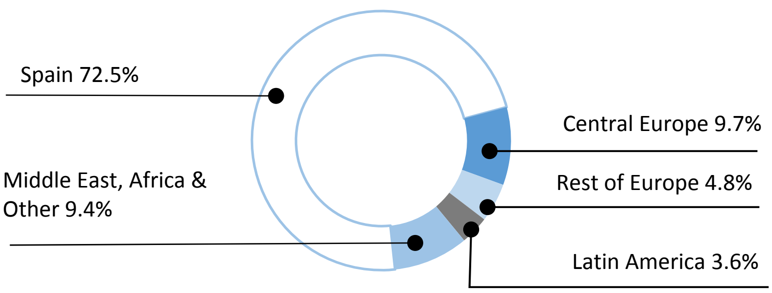
(M€)	**Sept. 18**	**Sept. 17**	**Chg. (%)**
Spain	598.9	592.8	1.0%
Central Europe	80.2	72.6	10.5%
Rest of Europe (Portugal and Italy)	40.2	40.4	-0.5%
Latin America	29.4	12.8	129.7%
Middle East, Africa and Others	77.3	45.0	71.8%
Total	**826.0**	**763.6**	**8.2%**

Revenues in Spain increased by 1% to €598.9 million, due to stability in the number of concessions and a seasonal reduction in revenues caused by weather conditions in the second and part of the third quarter. Some new contracts have been added, including notably network and treatment plant maintenance.

In the international area, Central Europe expanded revenues by 10.5%, driven particularly by growth in end-to-end water distribution in the Czech Republic, good performance by the Czech koruna (which appreciated by 3.8%), tariff reviews and an increase in works related to service delivery.
Revenues in Portugal and Italy, which are linked to operational contracts, declined by 05% for reasons similar to those observed in Spain. Revenues in the Middle East and Africa increased by 71.8%, mainly as a result of the development of the El Alamein desalination plant in Egypt, which offset the lower volume of business in Saudi Arabia and the commissioning of the Djerba desalination plant in Tunisia.

Revenues in Latin America surged by 129.7% due to the addition of new treatment plant development projects, particularly in Colombia and Ecuador.

Revenue breakdown, by region



EBITDA increased by 2.5% in year-on-year terms to €186.1 million. This was due to the combined contribution of revenues from concessions and services and to the fact that certain development contracts in the technology and networks business are ramping up, activity which has a lower Ebitda margin.

Backlog breakdown, by region

(M€)	**Sept. 18**	**Dec. 17**	**Chg. (%)**
Spain	8,154.4	8,274.9	-1.5%
International	6,622.8	6,516.7	1.6%
Total	**14,776.8**	**14,791.6**	**-0.1%**

The backlog decreased by 0.1% in the third quarter with respect to 2017 year-end, to €14,776.8 million. This was due to the combination of a slight reduction in Spain caused by the low volume of contract renewals, and to the contribution by international development and operation contracts, such as the Arraiján wastewater treatment plant in Panama (€74.7 million) and the Guaymas desalination plant in Mexico, for a similar amount.

6.2.2. Financial debt

(M€)	**Sept. 18**	**Dec. 17**	**Change (M€)**
Without recourse	1,268.1	1,383.8	(115.7)

Net interest-bearing debt, all of which is without recourse to the Group parent company, declined by €115.7 million with respect to 2017 year-end, to €1,268.1 million. This decline is due mainly to the early cancellation of the €92.9 million loan arranged with the Group parent company on 8 June 2017.
Most of the debt relates to long-term bonds issued by the division parent company, with a gross balance of €1,352.4 million at the end of the third quarter.

6.3. Construction

The Construction area contributed 6.7% of FCC Group EBITDA in the first nine months of 2018. This area focuses on designing and building large civil engineering projects. In particular, it undertakes highly complex public works such as railways, tunnels and bridges, which account for the bulk of its activity.

(M€)	**Sept. 18**	**Sept. 17**	**Chg. (%)**
Revenues	1,140.9	1,181.4	-3.4%
EBITDA	43.3	50.5	-14.3%
EBITDA margin	*3.8%*	*4.3%*	*-0.5 p.p*
EBIT	35.5	72.5	-51.0%
EBIT margin	*3.1%*	*6.1%*	*-3.0 p.p*

This area's revenues declined by 3.4% in the first nine months of 2018 to €1,140.9 million due to the conclusion of projects obtained in previous year in Spain that could not be offset by new projects, which are still incipient, plus the negative impact of the dollar exchange rate on certain overseas projects. At constant exchange rates, this area's revenues would have been stable (+0,3%).

Revenue breakdown, by region			
(M€)	**Sept. 18**	**Sept. 17**	**Chg. (%)**
Spain	440.5	445.7	-1.2%
Middle East and Africa	332.3	363.6	-8.6%
Latin America	247.1	246.6	0.2%
Europe, US, etc.	121.0	125.5	-3.6%
Total	**1,140.9**	**1,181.4**	**-3.4%**

Performance in the main geographies was as follows:

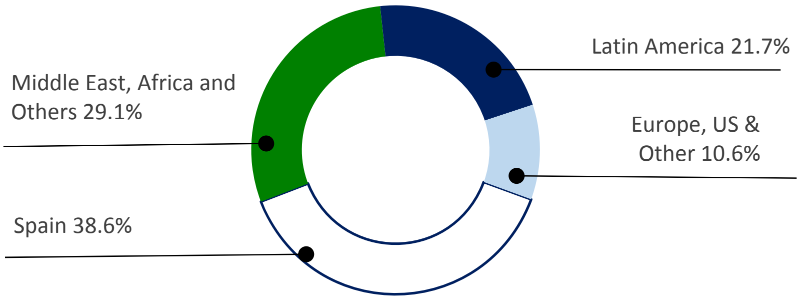
Revenues in Spain declined by 1.2% due to the conclusion in 2017 of major projects such as the new Atlético de Madrid stadium, an effect not fully offset by new contracts as public capital expenditure is still low.

In the Middle East and Africa, revenues declined by 8.6% due to the lower contribution from certain major projects because they are at an advanced stage of execution (such as Riyadh and Doha metros) and the negative effect of the dollar exchange rate (-6.7%) in the period.

Revenues in Latin America were stable, rising by just 0.2% to €247.1 million, due mainly to the higher contribution from Panama Metro line 2, which offset the completion or slower progress of other projects (in Chile and Peru).

Revenues in Europe, the US and other countries declined by 3.6% because of the completion of a number of major projects, such as the Mersey Gateway Bridge in the United Kingdom.

Revenue breakdown, by region



EBITDA decreased by 14.3% year-on-year down to €43.3 million, due to the performance of projects under way.

EBIT amounted to €35.5 million in the first nine months of 2018, a reduction year-on-year that mainly due to the sale in 2017 of real estate subsidiary FCyC to the Group parent company, with a book impact of €40 million; this internal transaction had no impact at consolidated group level.

Backlog breakdown, by region

(M€)	**Sept. 18**	**Dec. 17**	**Chg. (%)**
Spain	1,039.6	998.2	4.1%
International	3,536.9	3,301.7	7.1%
Total	**4,576.5**	**4,299.9**	**6.4%**

This area's revenues increased by 6.4% in the first nine months to €4,576.5 million, mainly as a result of new contracts overseas, including notably sections I and II of Corredor de las Playas in Panama, the Haren penitentiary in Belgium, and the Grangegorman campus in Ireland.

Backlog breakdown, by business segment

(M€)	**Sept. 18**	**Dec. 17**	**Chg. (%)**
Civil engineering	3,237.1	3,366.7	-3.8%
Building	871.2	574.6	51.6%
Industrial projects	468.2	358.7	30.5%
Total	**4,576.5**	**4,299.9**	**6.4%**

Civil engineering continued to be the dominant activity, accounting for over 70% of the total, although order intake was higher in the building and Industrial areas, whose backlog increased sharply.

6.4. Cement

The Cement area accounted for 8.9% of FCC Group EBITDA in the period. It operates through the Cementos Portland Valderrivas Group, in which FCC effectively owns 99%. This area produces mainly cement; it has seven factories in Spain and one in Tunisia, as well as a minority (44.6%) stake in Giant Cement, which has three cement factories on the Eastern Seaboard of the United States.

6.4.1. Results

(M€)	**Sept. 18**	**Sept. 17**	**Chg. (%)**
Revenues	277.2	256.0	8.3%
Cement	*253.8*	*232.8*	*9.0%*
Other	*23.4*	*23.2*	*0.9%*
EBITDA	57.4	45.2	27.1%
EBITDA margin	*20.7%*	*17.6%*	*3.1 p.p.*
EBIT	30.9	17.3	78.6%
EBIT margin	*11.1%*	*6.8%*	*4.4 p.p.*

This area's revenues increased by 8.3% year-on-year to €277.2 million due mainly to higher demand in Spain and also, to a lesser extent, to higher exports.

Revenue breakdown, by region

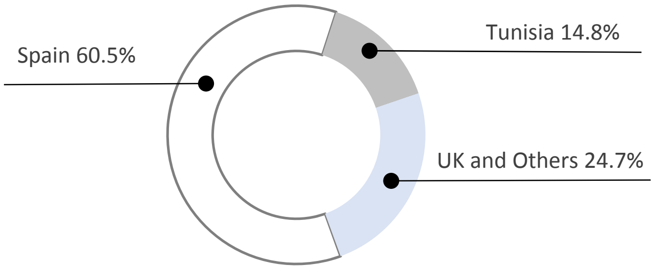
(M€)	**Sept. 18**	**Sept. 17**	**Chg. (%)**
Spain	167.8	151.1	11%
Tunisia	41.0	43.9	-6.4%
UK and Others	68.4	61.0	12.1%
Total	**277.2**	**256.0**	**8.3%**

In Spain, revenues increased by 11% to €167.8 million due to both volume growth and higher sale prices, driven by strong private sector demand in the domestic construction business.

In Tunisia, revenues declined by 6.4% as higher domestic revenues, supported by higher sale prices, were more than offset by the 12.8% depreciation by the Tunisian dinar in the period. (In local currency, revenues increased by 7.5%.)

Revenues from exports to the UK and other markets increased by 12.1%, particularly to the US and other European markets.

Revenue breakdown, by region



EBITDA increased by 27.1% to €57.4 million in the period, from €45.2 million in the same period of last year. This increase was due to the improvement in Spain, which offset higher electricity costs in the period. Additionally, the sale of CO_2 rights contributed €9.1 million in the first nine months of 2018, compared with €0.9 million in the same period of 2017.

EBIT improved to €30.9 million, a 78.6% increase achieved through operating leverage as a result of the improvement in EBITDA.

6,4.2. Financial debt

(M€)	**Sept. 18**	**Dec. 17**	**Change (M€)**
Without recourse	349.4	475.6	(126.2)

Net interest-bearing debt, all of which is without recourse to the Group parent company, decreased by €126.2 million with respect to 2017 year-end, to €349.4 million. Much of this reduction was due to the recognition of €100 million in cash by the area parent company, offsetting the €100 million loan granted by FCC, S.A. in connection with the maximum amount of contingent capital set out in the financial support contract signed in 2016 between the Group parent company and the Cement area parent company.

7. SHARE DATA

7.1. Share performance

	Jan. – Sept. 2018	Jan. – Sept. 2017
Closing price (euro)	12.92	8.48
Change in the period	*49.78%*	*12.30%*
High (euro)	13.40	9.879
Low (euro)	8.626	7.551
Average daily trading (shares)	87,777	82,120
Average daily trading (M€)	0.9	0.7
Market capitalisation at end of period (M€)	4,894	3,212
No. of shares outstanding	378,825,506	378,825,506

7.2. Dividends

No dividends were paid in the period.

7.3. Own shares

At 30 September 2017, the FCC Group held a total of 583,076 own shares directly and indirectly (0.15% of the company's capital).

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, the 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 order.

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

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

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

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

NET FINANCIAL DEBT

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

8. DISCLAIMER

The interim financial information contained in this document was obtained from the consolidated interim financial statements as of 30 September 2018, prepared in accordance with the International Financial Reporting Standards (IFRS) that had been adopted by the European Union at the end of the period, in conformity with Regulation (EC) no 1606/2002 of the European Parliament and of the Council of 19 July 2002,

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9. CONTACT DETAILS

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