Citizen Services

Environmental

Water

Infrastructures

2018
EARNINGS REPORT

FCC Environmental Services awarded three new contracts in Texas

1. SIGNIFICANT EVENTS

FCC sells 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 Investors for €1,024 million was completed in 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, 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.

Following the transaction, FCC Aqualia maintained its operational structure and management team. The entry of a new shareholder strengthens the company's capacity to grow and ratifies the company's track record.

FCC Environment advanced with commissioning a number of waste treatment and abatement plants

In December, the UK subsidiary of FCC Medio Ambiente commenced testing the Edinburgh and Midlothian energy-from-waste plant. Having cost over £140 million, the plant will operate for 25 years, processing over 150,000 tons of waste per year and generating enough electricity to power over 32,000 homes. It is expected to come into service in 2019. Additionally, in the fourth quarter of 2018, a consortium headed by FCC Environment was awarded phase 2 of the Guipúzcoa Environmental Complex, which involves building the facility, at a cost of over €32 million, and operating it for 20 years, representing an estimated backlog of €92 million. The facility will comprise a biomethanisation plant and a plant for recycling slag produced by the energy-from-waste plant in phase 1 of the complex. It is expected to come into operation in the second half of this year.

FCC Construction ended 2018 with a 5% year-on-year increase in its backlog

Order intake in the Group's construction area in 2018 totalled over €2,000 million, which boosted the backlog by 5% to €4,516.4 million at end-December 2018, the first year it has increased since 2014. Contracts for landmark buildings and industrial construction were the main contributors to this increase.

Notable contracts not yet in the backlog include the contract to expand Lima (Peru) international airport, awarded to a consortium in which FCC Construction is a member. The client, Lima Airport Partners, awarded the contract in September 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.

FCC Environmental Services attains a backlog of $550 million in the US

In November, US subsidiary FCC Environmental Services obtained three new contracts in Texas (Garland and Lewisville), with the result that it now has ten contracts in that state and its US backlog reached $550 million at year-end.

FCC Aqualia obtained new contracts worth close to €600 million in the year

The company that heads the Water division obtained a range of end-to-end concessions, BOT, execution and operation contracts for water infrastructure, particularly at an international level. In Panama, it was awarded a contract to design, build, operate and maintain the Arraiján Este waste water treatment plant, worth €75 million, which is the Water division's first contract in that country. In Mexico, it has a BOT contract for the Guaymas desalination plant in Sonora, including operation and maintenance for 20 years. The project represents a backlog of close to €75 million. In the first quarter, SAOC, a joint venture of Aqualia and Majis Industrial Services, 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. This contract is expected to provide close to €120 million in revenues.

New electric mobility platform for municipal environmental services unveiled

For the last four years, FCC Medioambiente has led a consortium developing a platform for highly versatile electric environmental services vehicles by combining all-electric technology with a backup CNG-fired system. The resulting solution is adaptable to a range of needs and provides up to a 50% reduction in energy use and emissions compared with conventional vehicles.

2. EXECUTIVE SUMMARY

- Net attributable income in 2018 amounted to €251.6 million, 113.2% more than the €118 million reported in 2017. This outstanding increase is due to better performance by the various businesses: a higher contribution from operating activities; a reduction in interest expenses associated with a lower and more competitive level of debt; and a larger contribution from subsidiaries and associated companies.

- Group revenues amounted to €5,989.8 million, a 3.2% increase year-on-year. The growth was driven mainly by good performance by the Environment and Water divisions, coupled with higher demand in the Cement area, which together more than offset the effect of the euro's appreciation against the Group's other currencies, which resulted in lower activity in the Construction division. At constant exchange rates, Group revenues would have increased by 4.4%.

- EBITDA increased by 5.6% to €861.2 million**.** This resulted in a 0.3 percentage point increase in the EBITDA margin to 14.4%. This achievement is attributable to measures to enhance efficiency (structural expenses were cut by -6.1% year-on-year), additional synergies and steps to increase productivity.

- Consolidated net interest-bearing debt amounted to €2,691.4 million at the end of September, a notable 24.8% 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 more than doubled with respect to December 2017, to €1,958.8 million.

KEY FIGURES

(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Net sales	5,989.8	5,802.0	3.2%
EBITDA	861.2	815.4	5.6%
EBITDA margin	*14.4%*	*14.1%*	*0.3 p.p.*
EBIT	485.9	435.9	11.5%
EBIT margin	*8.1%*	*7.5%*	*0.6 p.p.*
Income attributable to equity holders of the parent company	251.6	118.0	113.2%
Net equity	1,958.8	938.5	108.7%
Net financial debt	2,691.4	3,579.5	-24.8%
Backlog	28,971.9	29,377.4	-1.4%

3. SUMMARY BY BUSINESS AREA

Area	Dec. 18	Dec. 17	Chg. (%)	% of 2018 total	% of 2017 total
(M€)					
REVENUES BY BUSINESS AREA					
Environment	2,822.4	2,736.0	3.2%	47.1%	47.2%
Water	1,115.2	1,025.9	8.7%	18.6%	17.7%
Construction	1,655.1	1,681.5	-1.6%	27.6%	29.0%
Cement	372.8	340.4	9.5%	6.2%	5.9%
Corp. services & other	24.3	18.2	33.5%	0.4%	0.3%
Total	**5,989.8**	**5,802.0**	**3.2%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	3,259.6	3,185.2	2.3%	54.4%	54.9%
United Kingdom	752.8	755.1	-0.3%	12.6%	13.0%
Middle East and Africa	632.2	653.9	-3.3%	10.6%	11.3%
Rest of Europe & Others	565.2	463.1	22.0%	9.4%	8.0%
Latin America	425.5	414.5	2.7%	7.1%	7.1%
Czech Republic	278.9	264.4	5.5%	4.7%	4.6%
US and Canada	75.6	65.8	14.9%	1.3%	1.1%
Total	**5,989.8**	**5,802.0**	**3.2%**	**100.0%**	**100.0%**
EBITDA*					
Environment	441.4	425.8	3.7%	51.3%	52.2%
Water	247.5	241.5	2.5%	28.7%	29.6%
Construction	65.0	70.3	-7.6%	7.5%	8.6%
Cement	70.9	57.8	22.7%	8.2%	7.1%
Corp. services & other	36.4	20.0	82.2%	4.3%	2.5%
Total	**861.2**	**815.4**	**5.6%**	**100.0%**	**100.0%**
EBIT					
Environment	225.1	203.4	10.7%	46.3%	46.7%
Water	157.1	153.2	2.5%	32.3%	35.1%
Construction	49.6	84.8	-41.5%	10.2%	19.5%
Cement	36.7	26.1	40.6%	7.6%	6.0%
Corp. services & other	17.4	(31.6)	-155.1%	3.6%	-7.2%
Total	**485.9**	**435.9**	**11.5%**	**100.0%**	**100.0%**
NET FINANCIAL DEBT*					
With recourse	741.4	1,283.1	-42.2%	27.5%	35.8%
Without recourse					
Environment	361.8	374.4	-3.4%	13.4%	10.5%
Water	1,197.6	1,383.8	-13.5%	44.5%	38.7%
Construction	0.0	0.0	N/A	0.0%	0.0%
Cement	337.9	475.6	-29.0%	12.6%	13.3%
Corporate	52.7	62.6	-15.8%	2.0%	1.7%
Total	**2,691.4**	**3,579.5**	**-24.8%**	**100.0%**	**100.0%**
BACKLOG*					
Environment	9,804.1	10,285.9	-4.7%	33.8%	35.0%
Water	14,651.4	14,791.6	-0.9%	50.6%	50.4%
Construction	4,516.4	4,299.9	5.0%	15.6%	14.6%
Total	**28,971.9**	**29,377.4**	**-1.4%**	**100.0%**	**100.0%**

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

4. INCOME STATEMENT

(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Net sales	**5,989.8**	**5,802.0**	**3.2%**
EBITDA	**861.2**	**815.4**	**5.6%**
EBITDA margin	***14.4%***	***14.1%***	***0.3 p.p.***
Depreciation and amortisation	(386.2)	(370.8)	4.2%
Other operating income	11.0	(8.7)	N/A
EBIT	**485.9**	**435.9**	**11.5%**
EBIT margin	***8.1%***	***7.5%***	***0.6 p.p.***
Financial income	(209.1)	(257.7)	-18.9%
Other financial results	14.8	(28.9)	N/A
Equity-accounted affiliates	66.9	33.9	97.3%
Earnings before taxes (EBT) from continuing operations	**358.5**	**183.2**	95.7%
Corporate income tax expense	(78.8)	(59.6)	32.2%
Income from continuing operations	**279.7**	**123.6**	**126.3%**
Net income	**279.7**	**123.6**	**126.3%**
Non-controlling interests	(28.2)	(5.5)	412.7%
Income attributable to equity holders of the parent company	**251.6**	**118.0**	**113.2%**

4.1 Net sales

Consolidated group revenues increased by 3.2% in 2018, to €5,989.8 million, due to higher activity in the Group's utility-type areas — Environmental and Water — and in the Cement division. Conversely, the Construction area experienced a slight decline during the year, particularly in the international area, due to the depreciation of certain currencies against the euro, mainly the US dollar, which depreciated by 4.4% in year-on-year terms. At constant exchange rates, consolidated revenues increased by 4.4% in the period.

Environmental Services, the division that makes the largest contribution, increased revenues by 3.2%, due to slow-but-steady growth in municipal services in Spain and a sharper 3.9% increase in other geographies, notably Central Europe and the United States, while there was a more moderate 2.8% increase in the United Kingdom, tempered by the exchange rate effect (-0.9%), while the municipal services and waste treatment businesses improved.

The Water business, which increased revenues by 8.7%, 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-type' areas, the pace of decline in the Construction division's revenues slowed to -1.6%. This reduction was 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 fully offset by new projects. The Cement area expanded revenues by 9.5%, mainly as a result of growth in demand in Spain and a recovery in export revenues.

Revenue breakdown, by region			
(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Spain	3,259.6	3,185.2	2.3%
United Kingdom	752.8	755.1	-0.3%
Middle East and Africa	632.2	653.9	-3.3%
Rest of Europe and Others	565.2	463.1	22.0%
Latin America	425.5	414.5	2.7%
Czech Republic	278.9	264.4	5.5%
US and Canada	75.6	65.8	14.9%
Total	**5,989.8**	**5,802.0**	**3.2%**

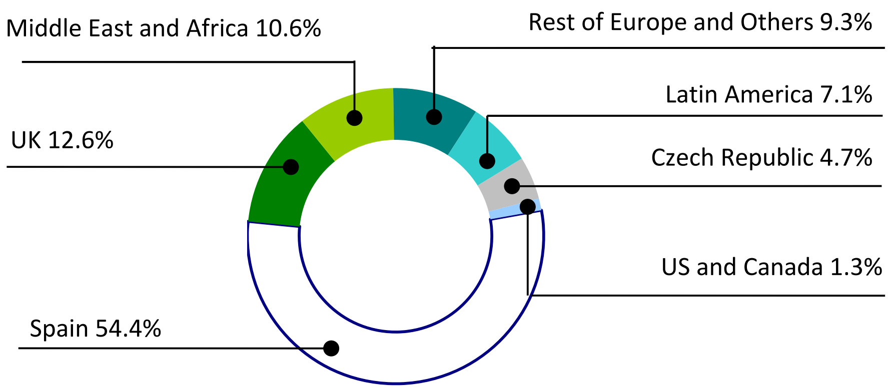
Revenues in Spain increased by 2.3% to €3,259.6 million. Environmental Services obtained a sustained 2.6% increase as a result of a number of extensions and new contracts in municipal waste treatment and street cleaning. Water revenues increased by close to 1% as a result of the combination of stability in the concessions and services business and an increase in network and technology work related to operational concessions. The Cement area reported a strong 10.8% increase due to sustained growth in demand for construction, particularly from private sector customers.
The Construction area registered a slight 0.1% decline, mainly as a result of the completion of major projects in 2017 that were not fully offset by the order intake in the year.

There was a 0.3% decline in revenues in the UK, basically as a result of completion of the Mersey Gateway Bridge by the Construction division in the second half of 2017. In the Environmental area, higher activity in recycling and waste abatement and completion of a new waste-to-energy plant amply offset the decline in landfill tax receipts, which are collected on behalf of the authorities.
Elsewhere in the EU, revenues increased by 22% in the Rest of Europe-Other area due to the faster pace of progress with contracts in Ireland and Romania in the Construction areas, plus good demand performance in the Environmental Services in most of the countries where the Group operates. Revenues in the Czech Republic increased by 5.5%, supported by 2.7% 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 revenues eased by 3.3% due to a number of factors. The positive contribution by Egypt was due to growth in development activity in connection with the new water treatment plants; In contrast, the decline in revenues was due to conclusion of the railway contract in Qatar, in the Construction division, the lower contribution by construction projects in Tunisia as the related contracts are now operational, and the performance of the main currencies against the euro.

Latin America increased revenues by 2.7% in the year, mostly as a result of the commencement of a Technology and Networks project in the Water area in Colombia. That offset Construction projects that were completed in Mexico and Chile. Revenues in the United States and Canada increased sharply, by 14.9%, despite negative exchange rate performance in the year, mainly as a result of 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 €861.2 million in the year, a 5.6% increase with respect to the previous year. The increase was supported by most of the Group's areas, coupled with synergies achieved and a 6.1% year-on-year reduction in structural and administration expenses throughout the Group.

Performance in the business areas was as follows:

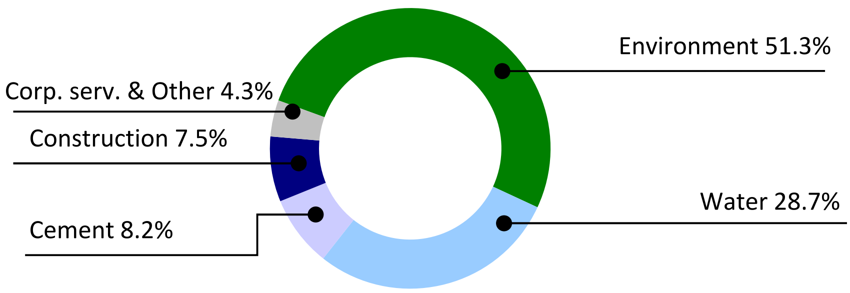
Environmental Services increased EBITDA by 3.7% to €441.4 million. This increase and the sustained EBITDA margin are attributable mainly to the combination of a larger contribution from international activities, particularly recycling and incineration, tempered by the higher contribution to revenues from treatment plants under development, a stage when their profit margin is much lower than when they become operational.

The Water area registered €247.5 million in EBITDA, 2.5% more, supported by higher returns on concessions. The substantial increase in activity in the Technology and Networks business, whose EBITDA margin is lower, explains the overall reduction in the EBITDA margin to 22.2%.

The Construction area reported €65 million in EBITDA, 7.6% less than in 2017, and an EBITDA margin of 3.9%, shaped by performance of contracts under execution.

EBITDA in the Cement area increased by 22.7% to €70.9 million, supported by the higher contribution by the business in Spain and growth in revenues and exports from Tunisia, despite the depreciation (-12.4%) by the Tunisian dinar.

% EBITDA by Business Area



The "utility" businesses — Environmental Services and Water — continued to account for a large percentage of total EBITDA — 80% in 2018 — contrasting with 15.7% from infrastructure construction and building. The other 4.3% relates to the parent company and other lesser businesses (basically transport concessions).

4.3 EBIT

EBIT totalled €485.9 million, 11.5% more than the €435.9 million reported in 2017. The interyear increase reflects the rise in operating profitability referred to earlier under EBITDA, plus the impact in 2017 of certain extraordinary expenses deriving from a claim in connection with the sale of assets in the US in 2014.
Additionally, the 4.2% increase in depreciation and amortisation was concentrated in the Environmental Services area.

4.4 Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations amounted to €358.5 million, 95.7% more than the €183.2 million reported in 2017, due to EBIT performance and the effect of the following items:

4.4.1 Financial income

Net financial income amounted to €-209.1 million, i.e. 18.9% less than in 2017. This reduction was the result of two opposing factors:
The reduction in interest-bearing debt, and in the cost of debt. A charge amounting to €-59.3 booked in the third quarter due to the non-cash impact of repaying the the parent company's pre-existing syndicated loan. 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 last September when the debt was repaid in full; the accounting standard requires that this be recognised through profit or loss.
Besides, the 2018 results only partly reflect the effect of the substantial reduction in debt as a result of the sale of a minority stake in Aqualia on 28 September.

4.4.2 Other financial results

This item amounted to €14.8 million, sharply contrasting with the €-28.9 million reported in 2017. This difference is due to such factors as translation differences (€14.1 million in 2018, vs. €-47.3 million in the 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

This item amounted to €66.9 million, a sharp increase from the €33.9 million reported in 2017. The main recurring items include investees in the Environmental Services and Transport concessions areas, plus €13.5 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 €251.6 million in 2018, 113.2% more than the €118 million reported in the same period of 2017, and was due to the items referred to above plus the following factors:

4.5.1 Corporate income tax

The corporate income tax expense amounted to €78.8 million, contrasting with €59.6 million in 2017. This variation, and the lower effective tax rate, were due to higher profits this year and the effect in 2017 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 €28.2 million in profit in 2018, compared with €5.5 million in 2017. This increase is attributable broadly to the increase in minority interests in the Water division as from September.

4.6 Key figures from the Income Statement following the proportional criteria

The key figures from the Income Statement calculated following the effective stake of the company in each of the subsidiaries, joint ventures and associates is as follows.

	Dec. 18	Dec. 17	Chg. (%)
Net sales	**6,516.4**	**6,441.6**	**1.2%**
EBITDA	**1,077.8**	**1,027.9**	**4.9%**
EBITDA margin	*16.5%*	*16.0%*	*0.6 p.p*
EBIT	**642.6**	**577.5**	**11.3%**
EBIT margin	*9.8%*	*9.0%*	*0.8 p.p*
Income attributable to equity holders of the parent company	**251.6**	**118.0**	**113.2%**

5. BALANCE SHEET

(M€)	Dec. 18	Dec. 17	Change (M€)
Intangible assets	2,426.4	2,485.2	(58.8)
Property, plant and equipment	2,426.8	2,459.0	(32.2)
Equity-accounted affiliates	763.0	650.6	112.4
Non-current financial assets	380.6	328.4	52.2
Deferred tax assets and other non-current assets	610.4	653.9	(43.5)
Non-current assets	**6,607.2**	**6,577.1**	**30.1**
Non-current assets available for sale	0.0	41.4	(41.4)
Inventories	691.0	569.6	121.4
Trade and other accounts receivable	1,780.8	1,798.3	(17.5)
Other current financial assets	178.8	158.6	20.2
Cash and cash equivalents	1,266.2	1,238.3	27.9
Current assets	**3,916.8**	**3,806.2**	**110.6**
TOTAL ASSETS	**10,524.0**	**10,383.3**	**140.7**
Equity attributable to equity holders of parent company	1,684.0	863.9	820.1
Non-controlling interests	274.8	74.6	200.2
Net equity	**1,958.8**	**938.5**	**1,020.3**
Grants	211.3	215.4	(4.1)
Non-current provisions	1,162.0	1,141.0	21.0
Long-term interest-bearing debt	3,839.1	4,224.6	(385.5)
Other non-current financial liabilities	61.3	55.0	6.3
Deferred tax liabilities and other non-current liabilities	301.0	293.2	7.8
Non-current liabilities	**5,574.7**	**5,929.2**	**(354.5)**
Liabilities linked to non-current assets available for sale	0.0	14.2	(14.2)
Non-current provisions	209.3	165.8	43.5
Short-term interest-bearing debt	297.3	751.7	(454.4)
Other current financial liabilities	83.6	75.8	7.8
Trade and other accounts payable	2,400.3	2,508.1	(107.8)
Current liabilities	**2,990.5**	**3,515.6**	**(525.1)**
TOTAL LIABILITIES	**10,524.0**	**10,383.3**	**140.7**

5.1 Equity-accounted affiliates

Equity-accounted affiliates contributed €763 million in the year, 17.3% more than in 2017, due to the combination of the following:

1) €272.5 million from the 36.9% holding in Realia, a substantial increase after subscribing for the equity issue by this investee in December.
2) €81.4 million from investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).
3) €84.6 million from holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).
4) €24.2 million from the 44.6% stake in Giant Cement Holding, the parent company of the Cement division in the US, and €22.5 million from other companies in which the Cement area's parent company has a stake.
5) €277.8 million from 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 €1,266.2 million at year-end, in line with the figure at 2017 year-end. Of that amount, 49.6% corresponds to the parent company and consolidated subsidiaries, and the other 50.4% to other undertakings without recourse.

5.3 Net equity

Equity amounted to €1,958.8 million as of 31 December 2018, more than double 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 September.

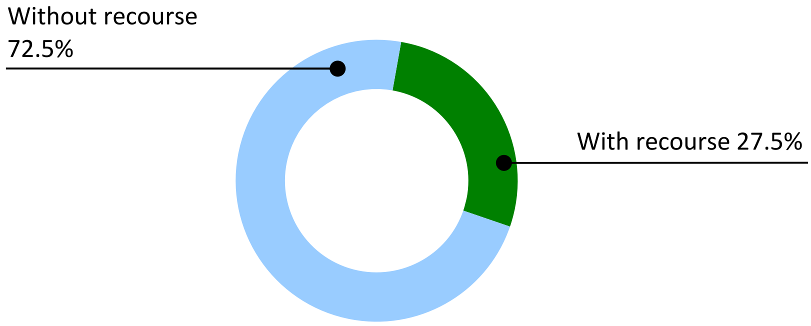
5.4 Net interest-bearing debt

(M€)	**Dec. 18**	**Dec. 17**	**Change (M€)**
Bank borrowings	2,200.0	3,157.2	(957.2)
Debt instruments and other loans	1,726.0	1,609.2	116.8
Accounts payable due to financial leases	51.5	59.8	(8.3)
Derivatives and other financial liabilities	158.9	150.1	8.8
Gross interest-bearing debt	**4,136.4**	**4,976.3**	**(839.9)**
Cash and other current financial assets	(1,445.0)	(1,396.8)	(48.2)
Net interest-bearing debt	**2,691.4**	**3,579.5**	**(888.1)**
With recourse	*741.4*	*1,283.1*	*(541.7)*
Without recourse	*1,950.0*	*2,296.4*	*(346.4)*

Net interest-bearing debt amounted to €2,691.4 million at year-end, 24.8% 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, 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, and the investment of €55.5 million in the Realia equity issue, in proportion to the existing stake, in December.

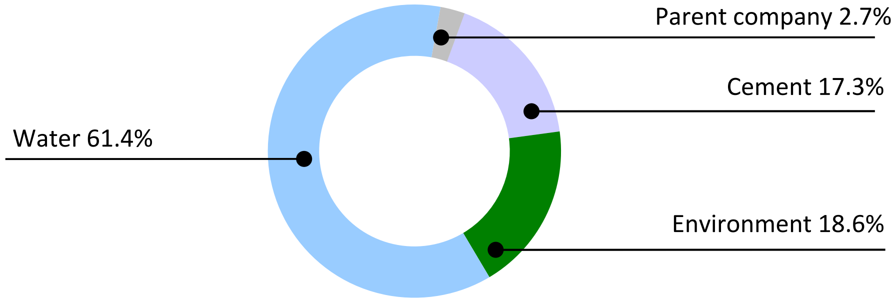
The balance of gross interest-bearing debt was reduced by 16.9% to €4,136.4 million due mainly to the repayment in September of the parent company's pre-existing syndicated loan and the arrangement of a new facility amounting to €800 million less and with more efficient and favourable conditions.

Net debt with and without recourse



Parent company interest-bearing debt had been reduced substantially at year-end, to €741.4 million, 27.5% of the total, whereas 72.5% 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 Environmental Services contracts. It is structured as a syndicated loan arranged by FCC, S.A. that came into force last September.

Net debt without recourse, by area



Net interest-bearing debt without recourse to the Group parent company amounted to €1,950 million at year-end. Water is the division with the largest amount of non-recourse net debt (€1,197.6 million), which includes not only the bonds issued by the area's parent company but also €190.3 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 €337.9 million, and Environmental Services for €361.8 million (€300.1 million in connection with UK activities, €41.2 million with Central Europe, and the remainder with two waste treatment and recycling plants in Spain). The €52.7 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 €144.9 million, 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. CASH FLOW

(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
EBITDA	**861.2**	**815.4**	**5.6%**
(Increase)/decrease in working capital	(316.8)	31.1	N/A
Income tax (paid)/received	(111.9)	(83.7)	33.7%
Other operating cash flow	56.9	6.1	N/A
Operating cash flow	**489.4**	**768.9**	-36.4%
Investment payments	(434.7)	(333.1)	30.5%
Divestment receipts	42.0	173.6	-75.8%
Other investing cash flow	8.0	8.6	-7.0%
Investing cash flow	**(384.7)**	**(150.9)**	**154.9%**
Interest paid	(142.4)	(185.6)	-23.3%
(Payment)/receipt of financial liabilities	(851.2)	(244.8)	N/A
Other financing cash flow	912.5	(43.3)	N/A
Financing cash flow	**(81.1)**	**(473.7)**	**-82.9%**
Exchange differences, change in consolidation scope, etc.	4.3	(52.1)	-108.3%
Increase/(decrease) in cash and cash equivalents	**27.9**	**92.2**	**-69.7%**

6.1 Operating cash flow

Operating cash flow amounted to €489.4 million, 36.4% less than in the previous year. This trend was due to the combination of two main factors that drove operating cash flow up €316.8 million euro: a €76 million reduction in the balance of non-recourse factoring at year-end, which reduced the associated interest expenses, and the steady reduction (€133.9 million in the year) in the balance of advances from customers in the Construction area, in line with progress with project execution. Additionally, the pace of execution of certain projects that are at an early or intermediate stage of development, in line with their schedule, results in the temporary need for additional capital.

Other operating cash flow amounted to €56.9 million, mainly from greater conversion of EBITDA into funds from operations, and from the year-on-year reduction in the application of provisions in all areas, particularly Construction.

6.2 Investing cash flow

Investing cash flow registered an outflow of €384.7 million, a sharp increase from €150.9 million the previous year. This was due mainly to payments for investments concentrated in the Environmental Services area, amounting to €254.2 million in the year. Of that figure, €92.3 million relate to growth capex, including notably €55 million in connection with the completion of the Edinburgh recycling and energy-from-waste plant. The parent company invested €55.4 million in the Realia capital increase in December 2018.
Other investments were related to maintaining the ability to compete in a number of areas, and there was a notable effort to contain capital expenditure, particularly in the most capital-intensive areas.

Divestment receipts declined to €42 million, from €173.6 million in 2017. Receipts under this heading in 2018 include notably €19.5 million in Construction, €7.7 million in Environmental Services and €7.3 in the Concessions area. Some of the main items in 2017 were €106.4 from the sale of GVI and €29.1 million from the sale of a minority stake in Xfera.

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

(M€)	Dec. 18	Dec. 17	Change (M€)
Environment	(246.5)	(201.8)	(44.7)
Water	(69.5)	(67.1)	(2.4)
Construction	(4.0)	(10.7)	6.7
Cement	(6.7)	2.2	(8.9)
Corporate serv., etc. & adjustments	(66.0)	117.9	(183.9)
Net investments *(Payments - Receipts)*	**(392.7)**	**(159.5)**	**(233.2)**

Other investing cash flow, amounting to €8 million, reflects €16.6 million in interest revenues as well as changes in loans to third parties and investees.

6.3 Financing cash flow

Consolidated financing cash flow amounted to €81.1 million in 2018, compared with €473.7 million the previous year. Interest payments declined by 23.3% year-on-year due to the measures adopted to optimise the funding structure.

Payments and receipts of financial liabilities reflected a reduction of €851.2 million, including mainly a reduction in parent company debt of about €800 million due to cancellation of the pre-existing syndicated loan at FCC, S.A., which was replaced with new arrangements in more advantageous and competitive conditions.

Other financing cash flow includes the receipt of €1,024 million from the sale of a minority stake in Aqualia to IFM Investors in the third quarter and the payment of €92.5 million in January 2018 to buy out all the minority shareholders in the Water business in the Czech Republic.

6.4 Exchange differences, change in consolidation scope, etc.

This item was positive in the amount of €4.3 million in 2018, contrasting with a negative €52.1 million in 2017. The difference in sign between years periods is due to the effect of exchange rate variations on cash as a result of the euro's correction; this effect was concentrated in the Construction area.

6.5 Variation in cash and cash equivalents

As a result of performance by the various components of cash flow, the Group's cash position increased by €27.9 million with respect to 2017 year-end, to €1,266.2 million at 31 December 2018.

7. BUSINESS PERFORMANCE

7.1. Environment

The Environmental Services area accounted for 51.3% 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 environmental 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.

7.1.1. Results

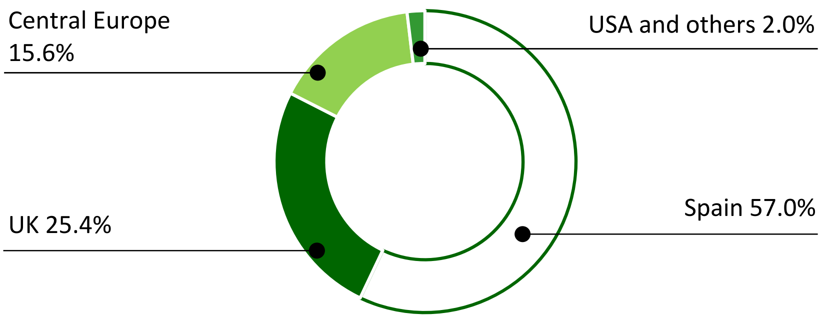
(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Revenues	2,822.4	2,736.0	3.2%
Municipal waste	*2,705.5*	*2,622.5*	*3.2%*
Industrial waste	*116.9*	*113.5*	*3.0%*
EBITDA	441.4	425.8	3.7%
EBITDA margin	*15.6%*	*15.6%*	*0.1 p.p*
EBIT	225.1	203.4	10.7%
EBIT margin	*8.0%*	*7.4%*	*0.5 p.p*

This area's revenues amounted to €2,822.4 million in 2018, 3.2% more than the previous year, due to improvements in all areas, the impact of new contracts, and the expansion of some existing contracts.

Revenue breakdown, by region			
(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Spain	1,609.1	1,568.5	2.6%
United Kingdom	718.1	698.3	2.8%
Central Europe	441.7	418.6	5.5%
USA and others	53.5	50.6	5.7%
Total	**2,822.4**	**2,736.0**	**3.2%**

Revenues in Spain increased by 2.6% to €1,609.1 million, as the impact of new contracts and some service expansions exceeded the impact of the termination of other contracts, even though the volume of tenders for new contracts and renewals remains low.
Revenues in the UK increased by 2.8% to €718.1 million due to higher performance by the incineration plants, boosted by the completion of the Edinburgh recycling and waste-to-energy plant. This offset the lower landfill revenues and sterling's depreciation (-0.9%) in the year.
Revenues in Central Europe increased by 5.5% to €441.7 million, due to new decontamination projects in the Czech Republic and Slovakia, higher landfill tax revenues and appreciation by the Czech koruna (2.7%). Revenues in the USA and other markets increased by 5.7% due to the contribution from new waste management contracts in Polk County (Florida) and Rowlett (Texas), which amply offset the lower sale prices of recycled byproducts.

Revenue breakdown, by region



EBITDA rose to €441.4 million, a 3.7% increase year-on-year, due to higher returns in the recycling business and better performance by the incineration plans in the UK (mainly Allington), which offset such factors as higher fuel costs and the negative trend in the price of recycled byproducts. The EBITDA margin remained stable at 15.6% despite the increase in revenues from new treatment plants under development, since the EBITDA margin at that stage is lower than when the plants become operational.

EBIT rose 10.7% year-on-year to €225.1 million, driven by EBITDA performance and the improvement in other operating income, which was negative in 2017 due to divestments in previous years.

Backlog breakdown, by region

(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Spain	5,606.5	6,129.9	-8.5%
International	4,197.6	4,156.0	1.0%
Total	**9,804.1**	**10,285.9**	**-4.7%**

The area's backlog declined by 4.7%, with respect to 2017 year-end, to €9,804.1 million, due to the low level of public tenders in Spain, with extensions of expiring contracts predominating over renewals. The international backlog increased by 1%, concentrated in the US, where the backlog rose to €480.4 million.

7.1.2. Financial debt

(M€)	**Dec. 18**	**Dec. 17**	**Change (M€)**
Without recourse	361.8	374.4	(12.6)

Net interest-bearing debt without recourse to the parent company declined by €12.6 million to €361.8 million at year-end. The United Kingdom accounts for the bulk of that debt (€300.1 million), having recently optimised the conditions and term. Another €41.2 million are at the parent company of the business in Central Europe, and the other €20.5 million relate to two waste treatment and recycling plants in Spain.

7.2. End-to-End Water Management

The Water area accounted for 28.7% of FCC Group EBITDA in the year. Public end-to-end water management concessions (capture, potabilisation, distribution and sanitation) accounted for 83.7% of total revenues, and the other 16.3% was in Technology and Networks, which handles water infrastructure design, engineering and equipment, mainly for the development of new concessions or ancillary work at operational concessions.

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.

7.2.1 Earnings

(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Revenues	1,115.2	1,025.9	8.7%
Concessions and services	*933.1*	*923.8*	1.0%
Technology and networks	*182.1*	*102.1*	78.4%
EBITDA	247.5	241.5	2.5%
EBITDA margin	*22.2%*	*23.5%*	*-1.3 p.p*
EBIT	157.1	153.2	2.5%
EBIT margin	*14.1%*	*14.9%*	*-0.8 p.p.*

This area's revenues increased by 8.7% year-on-year to €1,115.2 million, mainly as a result of strong growth in the technology and networks business in the international arena, 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 other countries.

Revenue breakdown, by region			
(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Spain	797.7	790.9	0.9%
Central Europe	108.1	103.0	5.0%
Rest of Europe (Portugal and Italy)	56.1	55.8	0.5%
Latin America	46.9	14.5	N/A
Middle East, Africa and Others	106.4	61.7	72.4%
Total	**1,115.2**	**1,025.9**	**8.7%**

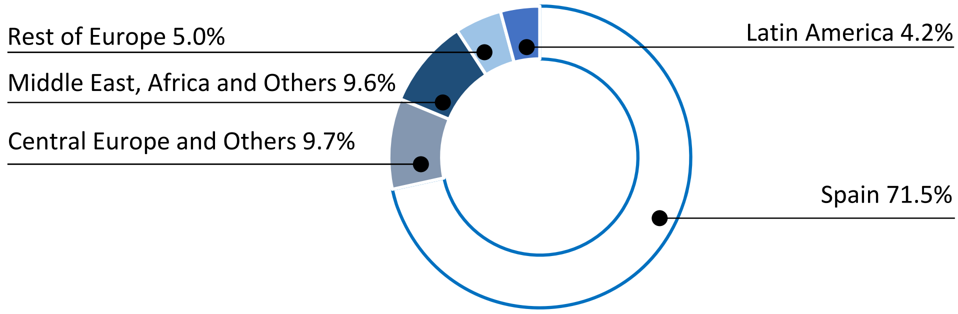
Revenues in Spain increased by close to 1% to €797.7 million. New contracts, notably including network and treatment plant maintenance, plus tariff trends, offset the decline in demand for water caused by adverse weather conditions in mid-year throughout practically all of Spain (heavy rains and lower average temperatures).

Revenues in Central Europe increased by 5% to €108.1 million due to the higher contribution by the business in the Czech Republic, which was the result of tariff reviews, an increase in work related to service delivery, and 2.7% appreciation by the Czech koruna.
Revenues in Portugal and Italy, which are linked to operational contracts, increased slightly, by 0.5%, for reasons similar to those observed in Spain (lower consumption due to weather conditions). Revenues in the Middle East, Africa and Others increased by 72.4% because of the addition of treatment plant construction contracts,

principally the El Alamein desalination plant in Egypt, which offset such factors as the falling contribution from the Djerba desalination plant in Tunisia, whose construction was completed in 2018.

In Latin America, revenues amounted to €46.9 million, also due to the addition of new technology and networks contracts, mainly in Colombia and Ecuador.

Revenue breakdown, by region



EBITDA increased by 2.5% in year-on-year terms to €247.5 million. This was due to the combined contribution of revenues from concessions and services and the increase in development contracts in the technology and networks business, where the profit margin is lower, with the result that EBITDA overall increased by 22.2% in the year.

Backlog breakdown, by region

(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Spain	8,078.8	8,274.9	-2.4%
International	6,572.6	6,516.7	0.9%
Total	**14,651.4**	**14,791.6**	**-0.9%**

The backlog declined by 0.9% to end the year at €14,651.4 million. The backlog in Spain declined slightly because of the persisting low level of contract renewal tenders, while the international backlog increased slightly due to the addition of treatment plant development contracts which will be followed by O&M contracts, such as Arraiján (Panama) and the Guaymas desalination plant (Mexico).

7.2.2. Financial debt

(M€)	**Dec. 18**	**Dec. 17**	**Change (M€)**
Without recourse	1,197.6	1,383.8	(186.2)

Net interest-bearing debt, all of which is without recourse to the Group parent company, declined by €186.2 million with respect to 2017 year-end, to €1,197.6 million. Part of that decrease was due to early repayment of €92.9 million under the loan arranged with the Group parent company in June 2017. The bulk of the debt relates to long-term bonds issued by the division parent company, with a gross balance of €1,365.2 million at 2018 year-end.

7,3. Construction

The Construction area contributed 7.5% of FCC Group EBITDA in the year. This area designs and constructs large civil engineering projects and complex building projects. In particular, highly complex public works, such as railways, tunnels and bridges, account for the bulk of its activity.

(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Revenues	1,655.1	1,681.5	-1.6%
EBITDA	65.0	70.3	-7.6%
EBITDA margin	*3.9%*	*4.2%*	*-0.3 p.p.*
EBIT	49.6	84.8	-41.5%
EBIT margin	*3.0%*	*5.0%*	*-2.0 p.p*

This area's revenues declined by 1.6% in 2018, to €1,655.1 million, mainly as a result of the effect of advancing with and concluding a number of projects that were awarded in previous years which failed to be offset by other projects as they were still at early stages. Additionally, the negative impact of the dollar exchange rate on certain international projects persisted in 2018. At constant exchange rates, the area's revenues would have increased by 1.2%.

Revenue breakdown, by region

(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Spain	609.2	609.6	-0.1%
Middle East and Africa	444.3	507.9	-12.5%
Latin America	372.9	384.8	-3.1%
Europe, US, etc.	228.7	179.2	27.6%
Total	**1,655.1**	**1,681.5**	**-1.6%**

Performance in the geographies was as follows:

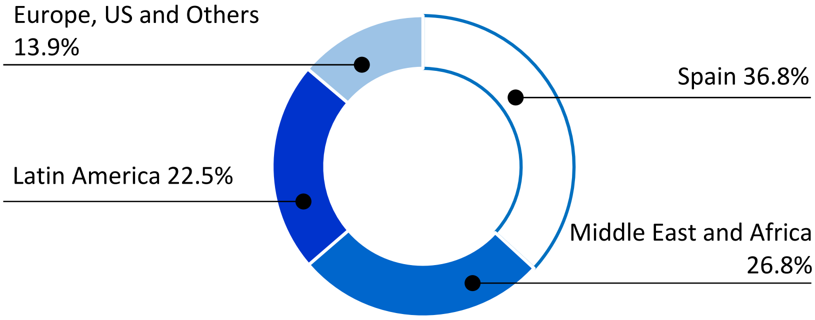
Revenues in Spain recovered steadily during the year, ending the year down just 0.1% year-on-year. This was the result of concluding major projects in 2017, such as the new Atlético de Madrid stadium, an effect that is beginning to be offset by new contracts, despite the fact that public works spending remains low.

Revenues in the Middle East and Africa fell 12.5% because of the absence of a contribution from large projects that concluded in the second half of the year, such as the Doha Metro, plus the negative impact of the dollar exchange rate (-4.4% in the year).

Latin America registered a 3.1% decline in revenues to €372.9 million, as the progress with and conclusion of certain projects (Chile, Dominican Republic and Colombia) were partly offset by a faster pace in other projects, such as Panama Metro line 2.

Revenues in Europe, the US and other countries surged by 27.6% as a result of new projects in the EU, particularly Romania, Ireland and Belgium, which amply offset the conclusion or slower pace of execution of contracts in other geographies.

Revenue breakdown, by region



EBITDA declined by 7.6% year-on-year to €65 million as a result of performance by projects under execution.

EBIT amounted to €49.6 million, a sharp reduction year-on-year that was 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€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Spain	1,075.8	998.2	7.8%
International	3,440.6	3,301.7	4.2%
Total	**4,516.4**	**4,299.9**	**5.0%**

This area's backlog increased by 5% in 2018 to €4,516.4 million, due to new contracts both in Spain and overseas, including notably sections I and II of Corredor de las Playas in Panama, an additional component added to the Riyadh Metro contract, the Haren prison in Belgium, and the Grangegorman campus in Ireland.

Backlog breakdown, by business segment

(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Civil engineering	3,218.0	3,366.7	-4.4%
Building	888.6	574.6	54.6%
Industrial projects	409.9	358.7	14.3%
Total	**4,516.4**	**4,299.9**	**5.0%**

Civil engineering continued to be the dominant activity, accounting for over 71% of the total, although order intake was higher in the building and industrial areas, whose backlog increased sharply in 2018.

7.4. Cement

The Cement area accounted for 8.2% of FCC Group EBITDA in the period. It operates through the CPV Group, in which FCC effectively owns 99%. This area produces mainly cement and aggregates; 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 east coast of the United States.

7.4.1. Results

(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Revenues	372.8	340.4	9.5%
Cement	341.3	309.6	*10.2%*
Other	*31.5*	*30.8*	*2.4%*
EBITDA	70.9	57.8	22.7%
EBITDA margin	*19.0%*	*17.0%*	*2.0 p.p*
EBIT	36.7	26.1	40.6%
EBIT margin	*9.8%*	*7.7%*	*2.2 p.p.*

This area's revenues increased by 9.5% year-on-year to €372.8 million due mainly to growth in Spain and to higher exports from Tunisia.

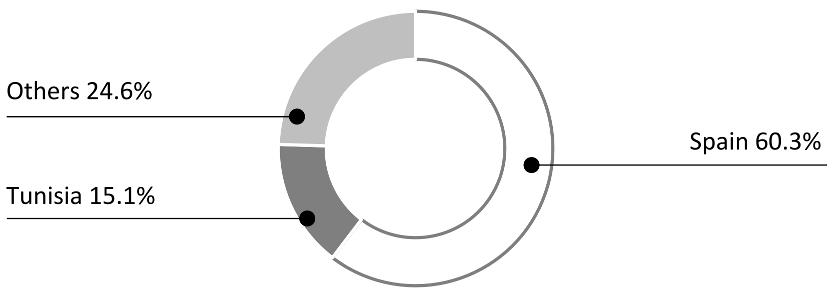
Revenue breakdown, by region

(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Spain	224.9	202.9	10.8%
Tunisia	56.4	56.3	0.2%
Other	91.5	81.2	12.7%
Total	**372.8**	**340.4**	**9.5%**

Revenues in Spain increased by 10.8% to €224.9 million, driven by higher cement volumes and a more moderate increase in sale prices, all sustained by good demand performance in the domestic construction market, concentrated mainly in private sector projects.

Domestic revenues in Tunisia increased slightly, by 0.2%, as price increases amply offset the decline in domestic demand and the depreciation by the Tunisian dinar (12.4% in the year); revenues increased by 14.6% in local currency terms.
Revenues from exports, mainly to Europe and Africa, increased by 12.7% due to higher exports from Tunisia, contrasting with a slight decline in exports from Spain.

Revenue breakdown, by region



EBITDA increased by 22.7% to €70.9 million, from €57.8 million in 2017. The increase was due to the improvement in Spain, which offset higher energy prices in the period, and to good price performance in Tunisia. Moreover, CO_2 emission rights sales amounted to €9.4 million in 2018, compared with €3.2 million in 2017.

EBIT improved by 40.6% to €36.7 million due to the aforementioned increase in EBITDA.

7.4.2. Interest-bearing debt

(M€)	**Dec. 18**	**Dec. 17**	**Change (M€)**
Without recourse	337.9	475.6	(137.7)

Net interest-bearing debt, which is entirely without recourse to the Group parent company, decreased by €137.7 million with respect to 2017 year-end, to €337.9 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. The remainder of the reduction in debt was due to repayment of the syndicated loan to the division's parent company.

8. SHARE DATA

8.1. Share performance

	Jan. - Dec. 2018	Jan. – Dec. 2017
Closing price (€)	11.70	8.626
Change in the period	*35.64%*	*14.24%*
High (€)	13.40	9.879
Low (€)	8.626	7.551
Average daily trading (shares)	85,640	75,231
Average daily trading (M€)	0.9	0.7
Market capitalisation at end of period (M€)	4,432	3,268
No. of shares outstanding	378,825,506	378,825,506

8.2. Dividends

No dividends were paid in the period.

8.3. Own shares

At 31 December 2018, the FCC Group held a total of 823,430 own shares directly and indirectly (0.217% 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.

9. DISCLAIMER

The interim financial information contained in this document was obtained from the consolidated interim financial statements as of 31 December 2018, 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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