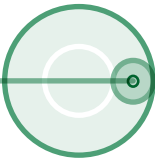




# FCC's businesses

## Environment

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## Industry analysis

### FCC Environment Domestic

During 2016 the budgetary restraint trend of recent years has been maintained by the authorities that issue invitations to tender.

The local authorities in general have maintained current budgets without additional reductions. Large contracts from the main Spanish cities tend to be to be split among more than one contract winner and competitors without previous presence in the industry are appearing in the market. In spite of this situation, the services portfolio is 6,592.9 million euros for the activities of street cleaning, the collection, transport, treatment and disposal of waste, the maintenance of green areas, the maintenance of sewage networks, beach cleaning and energy efficiency services, among others.



Recycling and converting waste into energy at Millerhill (Midlothian, Edinburgh).

## FCC Environment International

The environment sector in the countries where we operate is undergoing a profound transformation process, due to environmental requirements of national governments driven by European directives and due to being subject to a consolidation process, with an increase in concentration and entry of new actors, mainly Chinese companies.

## FCC Residuos industriales

FCC Residuos Industriales, the industrial waste division, operates under the FCC Ámbito brand. In the domestic market, an increase in the production of industrial and commercial waste was found throughout 2016, as was to be expected in the current context of domestic GDP growth. This aspect has been noted in FCC Ámbito's own activity, with a significant increase in the tonnage managed. However, this increase is still characterised by the intense competitiveness established by the waste producers themselves.

As for the United States, the market is characterised by its stability, with great opportunities in the urban sector in both collection and treatment. With regard to the industrial sector, the producer's co-responsibility for managing the waste ensures the pursuit for quality services. A clear trend has been observed regarding the concentration of companies through mergers and acquisitions.

## Activities and geographical areas



FCC Environment is the FCC Group area that provides environmental services to 59 million people in over 5,000 municipalities in 13 countries. It has over a century of experience and this can be seen in the diversity of services provided: collection, treatment, recycling, energy recovery and disposal of urban solid waste, public street cleaning, maintenance of sewage systems, maintenance and conservation of green areas; treatment and disposal of industrial waste, and the recovery of contaminated soils.

FCC Environment is structured in three divisions: Domestic/ Spain, International (United Kingdom, Central Europe, Portugal and Egypt), and Industrial Waste, which is also responsible for the activity in the United States.

In 2016, FCC Environment's turnover reached 2,728.1 million euros and the gross operating profit grew to 438.7 million euros, which represents a 3.15% increase compared to 2015, and in terms of turnover, the increase went from 14.% to 16.1%.

### FCC Environment

provides environmental services to **59 million** people in more than **5,000** municipalities in **13** countries

In addition to Spain and Portugal, the geographical areas where the environmental services area operates are the United Kingdom, Eastern and Central Europe (EEC: Austria, Czech Republic, Slovakia, Serbia, Poland, Hungary, Romania and Bulgaria), the United States and Egypt.

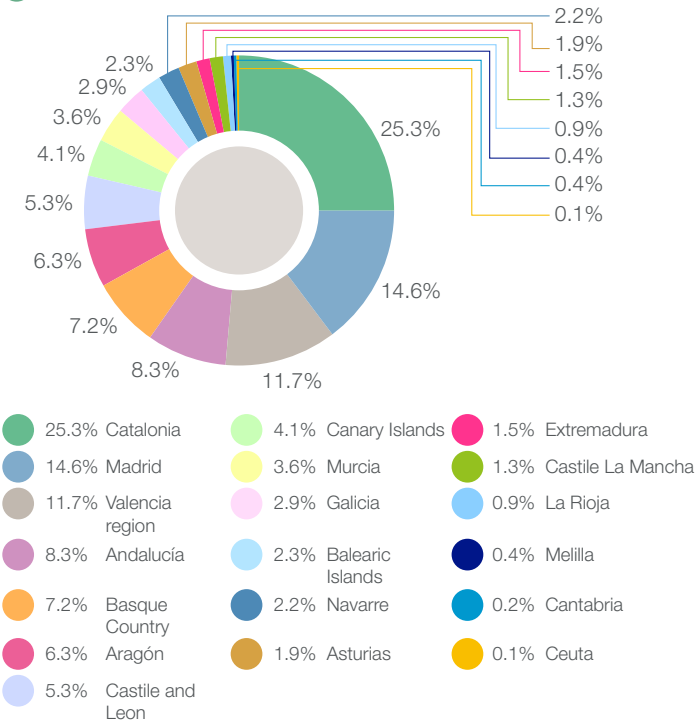
FCC Environment manages nearly 24 million tonnes of waste and produces over three million tonnes of recyclables and fuel derived from waste (WDF) every year. It has more than 650 waste management facilities in operation, of which nearly 200 are environmental facilities used for treating and recycling wastes, including 10 waste to energy projects with a capacity of 2.6 million tonnes and 300 MW.

## FCC Environment Domestic

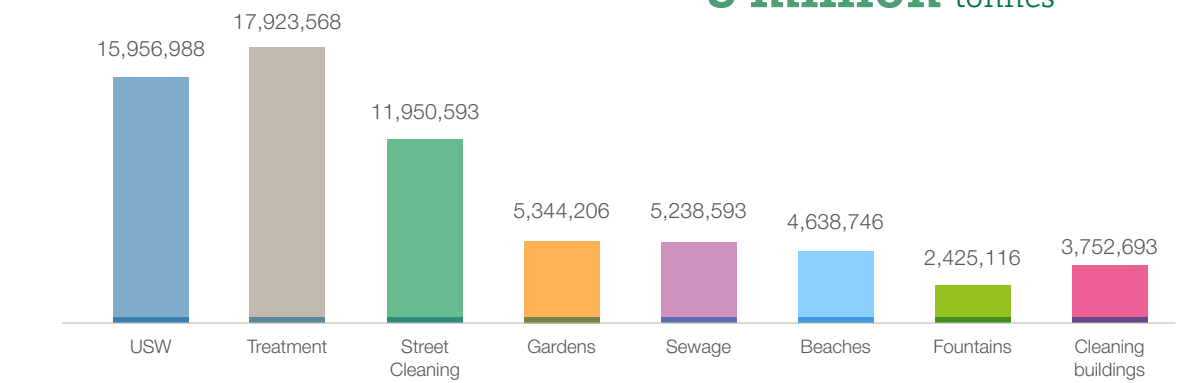
FCC provides environmental services in 3,670 municipalities throughout Spain, serving a population of over 30 million inhabitants, for street cleaning, the collection and transport, treatment and disposal of waste, maintenance of green areas, maintenance of sewage systems, beach cleaning, among others. During 2016, FCC collected 5.33 million tonnes of waste and processed over eight million tonnes.

in 2016, FCC collected **5.33 million** tonnes of waste and treated more than **8 million** tonnes

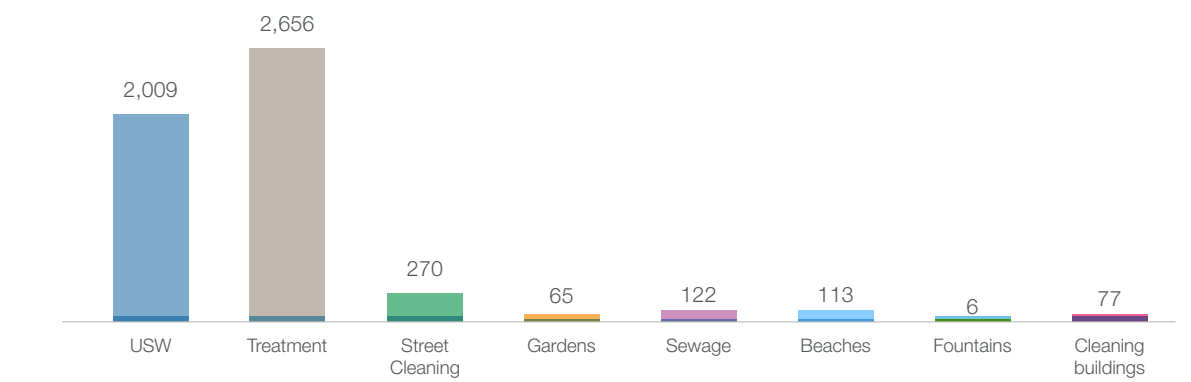
FCC Environment's domestic turnover. Geographical location



Inhabitants served by FCC Environment in Spain



Municipalities served by FCC Environment in Spain

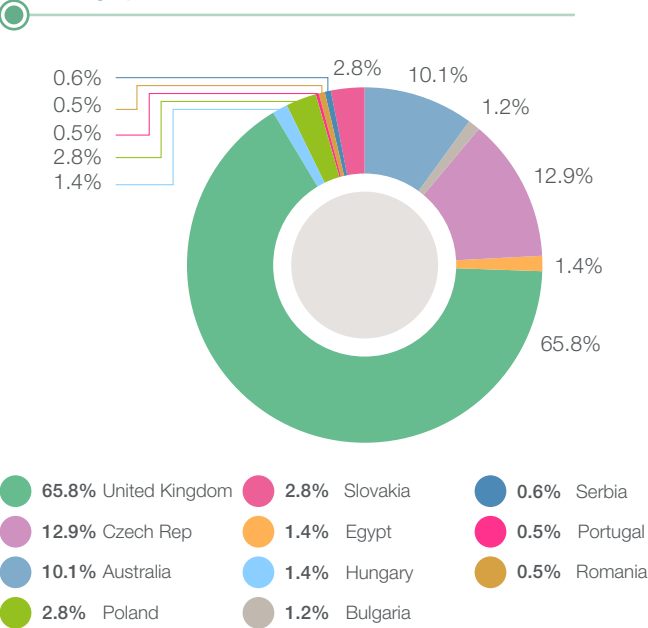


# FCC Environment International

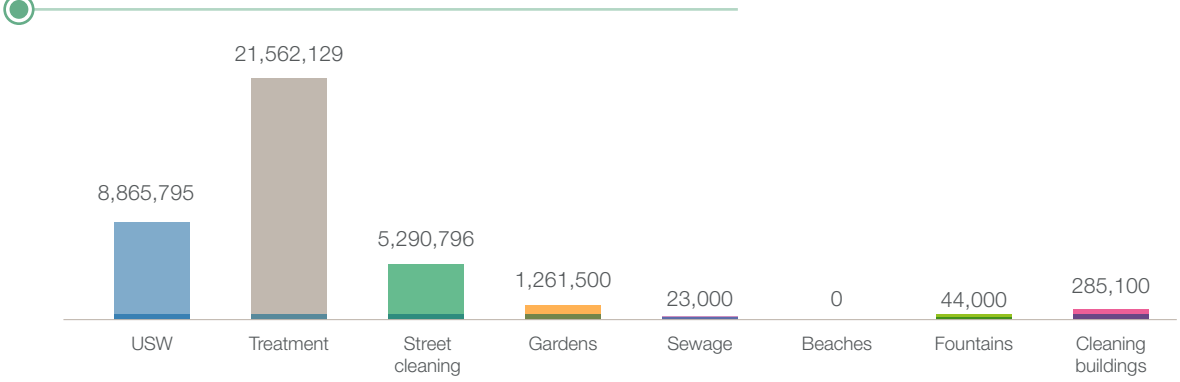
FCC is one of the leading worldwide groups in the integrated management of urban solid waste and recovery of energy from waste. It applies innovative systems and the cleanest, most-advanced technologies in the provision of quality services that are sustainable over the medium and short-term and adapted to customers' needs. The International Environmental Services division is present in the United Kingdom, Eastern and Central Europe and North Africa. It currently provides services in 11 countries: the United Kingdom, Austria, Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria, Serbia, Portugal and Egypt.

In 2016, the Internacional Environmental Services division turnover amounted to 1,179.1 million euros. Gross operating profit grew to 165.5 million euros, an increase of 5.08% compared to 2015, and turnover went from 11.9% to 14.0%.

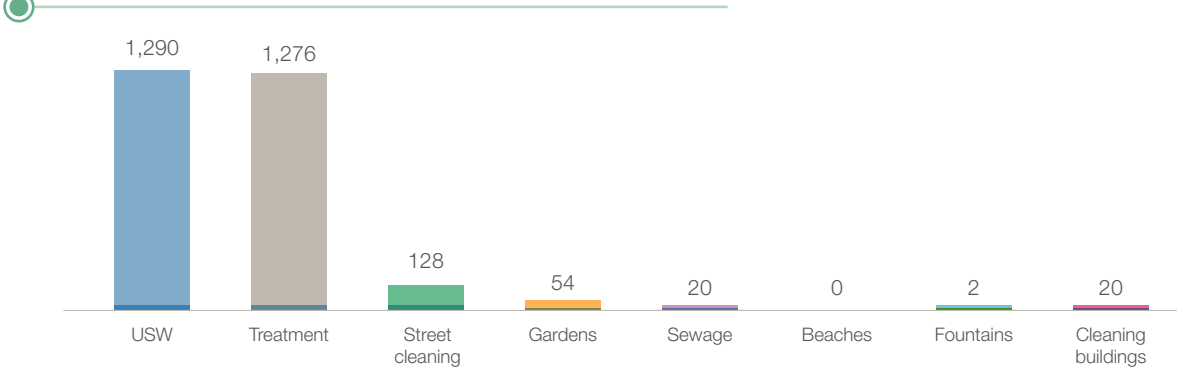
International Environmental Services division Turnover. Geographical location



Inhabitants served by the International Environmental Services division



Municipalities served by International Environmental Services division



## FCC Residuos industriales

FCC Ámbito specialises in industrial and commercial waste management, the recovery of by-products and decontamination of soil. Through innovative solutions for exploiting the resources contained in the various wastes, FCC has become an important partner of industries and businesses that, in line with the circular economy, carry out their business activities ensuring environmental, social and economic sustainability.

### Soil decontamination

In 2016, a soil decontamination plant was commissioned as part of the José Cabrera Nuclear Power Plant decommissioning project. This innovative facility will make it possible to manage and treat soils affected by low or very low radiation contamination, minimising the amount of radioactive wastes that are generated by the decommissioning work.

In addition, the decontamination work on the Arganda del Rey lagoon (Madrid) has continued, treating nearly 16,000 metric tonnes.

### Integrated management of industrial waste

In 2016, FCC completed the work managing the abandoned accumulation of waste in an old hazardous waste plant in Daimiel (Ciudad Real) and decontaminated it.

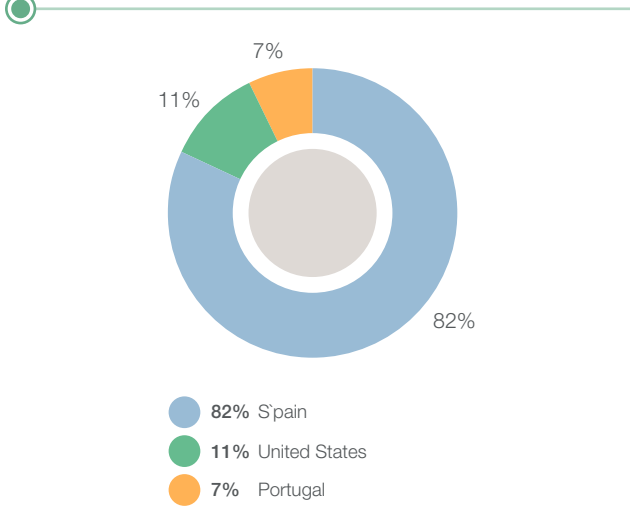
Internationally, FCC Ámbito has a strong presence in the U.S.A where it engages in the collection and management of urban solid waste and industrial waste, and in Portugal, where it operates through its subsidiary Ecodeal.

In 2016, FCC Ámbito opened a new landfill site for the final disposal of hazardous waste at ECODEAL (Chamusca, Portugal). The new landfill site implements the best technology currently available for this type of facility, geared towards better protecting the land and minimising the volume of leachate generated.



Laguna de Arganda del Rey, Madrid. España

FCC Ámbito's turnover by country in 2016



## Contracts

### FCC Environment Domestic

During 2016, FCC was awarded 129 contracts in urban services area, with a contract volume of 1,011.8 million euros.

- **Waste collection contract for the Madrid City Council:** contract awarded for a four-year term, with the option to extend it an additional two years. The population served in several districts in Madrid totals 1,026,514 inhabitants and represents a portfolio of 227.5 million euros.
- **Contract for cleaning and maintenance of ornamental fountains, for the Barcelona City Council:** contract awarded for a four-year term with the option to extend it an additional two years. The population served totals 1,608,746 inhabitants and represents a portfolio of over 10 million euros.
- **Contract for the maintenance of drinking and natural fountains for the Barcelona City Council:** contract awarded for a four-year term with the option to extend it an additional two years. People with difficulty joining the labour market were hired. It represents a portfolio of over 2.9 million euros.
- **Street cleaning contract for the Pamplona City Council:** contract awarded for a five-year term, with the option to extend it an additional three years. The population served totals 195,650 inhabitants and represents a portfolio of 37.2 million euros.
- **Extension of waste collection and street cleaning contract for the Oviedo City Council:** a five-year extension was obtained for the contract under management since 2006 which serves 220,567 inhabitants. It represents a portfolio of 87.7 million euros.
- **Contract for street cleaning, waste collection and beach cleaning, for the San Bartolomé de Tirajana City Council in, Gran Canaria:** contract awarded for a 12-year period, with the option to extend it an additional three years in a municipality where tourism is of great importance. The population served totals 53,829 inhabitants and represents a portfolio of 37.2 million euros.
- **Contract awarded to manage the public services for treatment, maintenance, conservation and operation of the waste treatment facility in Aranda de Duero (Burgos, Spain) for a two-year term, renewable for an additional year.** The turnover associated with the contract will be approximately 2.1 million euros. This is a mechanical-biological treatment facility with a treatment capacity of 35,000 tonnes/ year of USW.
- **Award of the sorting and sales services for waste from Green-Dot-bearing glass containers in the Alhedín recovery and composting plant. (ECOCENTRAL, Granada, Spain), and in the integral urban waste treatment facility in El Compello (Alicante, Spain) for a 10-year term.** The contract involves the installation of

### In 2016:

- Obtained **129 contracts** for urban services
- A volume of **over one billion euros** of global contracts



San Bartolomé de Tirajana beaches, Las Palmas. Spain

automated systems in these plants that will enable high levels of efficiency in the recovery of glass container waste which is received mixed with urban solid waste (USW). The turnover associated with the contract will be approximately 4.2 million euros in the case of Ecocentral Granada, and approximately 2.6 million euros in the case of the El Campello Integral Urban Solid Waste Treatment Facility.

Main contracts awarded in 2016

- USW Contract 1 West Madrid.
- USW, Street and beach cleaning in San Bartolomé de Tirajana, Las Palmas.
- Cleaning and maintenance of buildings for Renault - Nissan in Palencia, Valladolid, Seville, Torres de la Alameda, Ávila and Cacia (Portugal).
- Street cleaning, Pamplona, Navarra.
- USW and street cleaning, Rota, Cadiz.
- Street cleaning, USW, Ecoparc de Crevillent, Alicante.
- Cleaning and maintenance of buildings for Renault - Nissan in Barcelona and surroundings, Barcelona.
- USW and street cleaning, Olesa de Montserrat, Barcelona.
- Cleaning municipal schools, Barcelona, Contract 2.
- Management through concession of the Las Caldas Golf Course, Asturias.
- Ornamental fountain maintenance, Madrid.
- Cleaning buildings, University of Zaragoza.
- Management of public lighting, Lepe, Huelva.
- Management of public lighting, Vigo, Pontevedra.
- Cleaning and waste collection at IFEMA, Madrid Trade Fair facilities.
- Sewage, Ecociudad de Zaragoza.
- Cleaning buildings in San Sebastián, Guipuzcoa.
- Sorting and sales of Green-Dot glass container waste at the Recovery and Composting Plant in Alhedín (Ecocentral Granada), Granada.
- Cleaning health care centres in Hellín, Albacete.
- Cleaning of buildings in Ontinyent, Valencia.
- Cleaning of schools in Elche, Alicante.
- Collection of residual waste, La Rioja.
- Maintenance of drinking fountains and natural fountains, Barcelona.
- USW and street cleaning, Campos, Balearic Islands.
- Cleaning and maintenance of gardens, Villaviciosa de Odón, Madrid.
- Street cleaning and waste collection, Vizcaya.
- Sorting and sales of Green-Dot glass container waste at the Recovery and Composting Plant in El Campello, Alicante.
- Beach cleaning along the Guipuzcoa.
- Container collection, Almeria.
- USW and street cleaning, Ses Salines, Balearic Islands.
- USW in Churriana de la Vega, Granada.
- USW in the municipalities Els Ports and Alt Maestrat, Castellón de la Plana.
- Sewage - Contract 1 West Malaga.
- USW, Padul, Granada.
- CTD, Aranda de Duero, Burgos.
- Street cleaning, Urnieta, Guipuzcoa.
- USW and street cleaning, Valdemosa, Balearic Islands.
- Transport and recovery and/or disposal of rejections from the plant in Onda - Contracts 3 and 4, Castellón.



Steet cleaning, Pamplona, Navarra. Spain

- Street cleaning, Orio, Guipuzcoa.
- Cleaning buildings, University of Zaragoza, Huesca.
- Cleaning and painting of weighbridges or streetlights, Madrid.
- Collecting residual and selective waste in the Region of l'Anoia, Barcelona.

## FCC Environment International

In 2016, the International Environmental Services division was awarded contracts from over 100 tenders for USW collection services, selective collection, transport, treatment, disposal, street cleaning, park and garden maintenance, recovery of contaminated soils and contracts for the collection and treatment of commercial and industrial waste. Distributed geographically as detailed below:



Energy-from-waste plant in Greatmoor, United Kingdom

### Main contracts in 2016

#### United Kingdom (FCC Environment UK)

- **New municipal contracts and firm renewals:**
  - Contracts awarded: **17.**
  - Annual turnover: **59.9 million euros.**
  - Orderbook: **585.5 million euros.**
  - New contracts, C&I waste contract renewals and short-term contracts: **428.8 million euros.**
- **Temporary awards of municipal contracts:**
  - Contracts awarded: **1.**
  - Annual turnover: **2.1 million euros.**
  - Orderbook: **14.3 million euros.**
- **Contract for treatment and disposal, in the county of Norfolk (London).** On 30 March 2016, FCC signed the contract for the treatment and disposal of municipal waste in the county of Norfolk to treat up to 100,000 tonnes per year for a four-year term. To do this, FCC Environment has a mechanical treatment and recycling plant. The contract covers the provision of services to more than half of the county (870,000 inhabitants) and an orderbook of over 47.8 million euros.
- **Contract for municipal waste collection and street cleaning, for the Barrow City Council in Furness, (Cumbria).** The contract was awarded to FCC Environment Services for a seven-year term, with the option to extend it another seven years. The population served totals 71,000 inhabitants and represents an orderbook of over 15 million euros.
- **Contract to manage Recycling Centres in the Vale of Glamorgan City Council (South Wales).** Contract awarded to FCC Environment for a three-year term with an option to extend it another three years. The population served totals 127,000 inhabitants and represents an orderbook of over 3.5 million euros.
- **Contract to manage the transport of waste for the PFI contract of RE3 awarded to FCC Environment.** The management of the transport of waste from the Town Councils in the RE3 association of municipalities (Bracknell Forest, Reading and Wokingham) in the PFI contract awarded to FCC Environment (2006 to 2031), which had been outsourced until 2016, and was subject to public tender in 2016 at the request of the Association of Municipalities. FCC Environment was awarded this contract for a five-year terms with the option of extending it. Providing these services in-house allows us to save costs and be more efficient in the provision of the services for RE3 waste transport to the Lakeside incinerator, FCC Environment's mechanical treatment plant in Sutton Courtenay and FCC Environment's incinerator in Greatmoor. To do this, tractor trucks with sliding-floor semi trailers are used.

### Central and Eastern Europe (FCC Environment CEE)

#### • New municipal contracts and firm renewals:

- Contracts awarded: **66.**
- Annual turnover: **34.2 million euros.**
- Orderbook: **124.8 million euros.**
- New contracts, C&I waste contract renewals and short-term contracts: **266.7 million euros.**

- **Contract for the waste collection and disposal for the AWW Volkemmarkt Association of Municipalities, Carinthia, Austria.** Contract awarded to FCC Environment CEE for the collection and disposal of waste for the Volkemmarkt Association of Municipalities, with a population served of 100,000 inhabitants. The contract was renewed in December 2016 for a 12 year term and represents an orderbook of over 20.5 million euros.
- **Contract for waste collection, AWS Schwechat Association of Municipalities, Austria.** Contract for the collection and transport of urban waste for the municipalities in Schwechat, which was renewed by FCC Environment CEE for a five-year term in September 2016. The population served totals 118,000 inhabitants and represents an orderbook of 3.9 million euros.

- **Contract to clean railway tunnels for ÖBB (Austria).** Contract awarded in March 2016 for the cleaning of railway tunnels with equipment that is specialised for this kind of work. The contract is for a 2.5-year term and represents an orderbook of 2.5 million euros.
- **Contracts for USW collection, street cleaning and garden maintenance, Prostějov City Council (Czech Republic).** FCC has been providing all municipal services in the city of Prostějov for the last 10 years, and in September 2016 contracts were renewed for the collection of municipal waste, street cleaning, winter services and park and garden maintenance for an eight-year term with an orderbook of more than 28 million euros.
- **Contracts for the collection, treatment and disposal of waste for large commercial and industrial clients (Czech Republic).** Contracts with clients such as Bosch, IKEA, Ahold, Agrofert, Skoda, Penny, etc. for terms of two to five years, with a joint orderbook of more than 10.8 million euros.
- **Contracts for waste collection, treatment and disposal for large commercial and industrial clients (Slovakia).** Contracts for collection and disposal such as Slovnaft, for three-year terms, with an orderbook of more than 3.9 million euros.
- **Contract for the collection and transport of USW for the City Council of Tarnobrzeg (Poland).** Contract for waste collection for the Tarnobrzeg City Council for a two-year term, with a population served of 50,000 inhabitants and an orderbook of 1.5 million euros. FCC is very active in the region and has treatment facilities.

### Portugal (FCC Environment Portugal)

#### • New municipal contracts and firm renewals:

- Contracts awarded: **6.**
- Annual turnover: **1.5 million euros.**
- Orderbook: **5.4 million euros.**

#### • Temporary awards of municipal contracts:

- Contracts awarded: **2.**
- Annual turnover: **1.1 million euros.**
- Orderbook: **5.5 million euros.**

- **Contract for waste collection and transport for the Association of Municipalities of Douro Superior.** The contract was awarded for the collection and transport of waste for a five-year term. The population served totals 40,000 inhabitants and represents an orderbook of 3.6 million euros.
- **Street cleaning contract for the municipality of Oeiras, Lisbon (Portugal).** The contract for street cleaning for the City Council of Oeiras was awarded for a five-year term. The population served totals 40,000 inhabitants and represents an orderbook of three million euros.



Ecodeal, Portugal

## FCC Residuos industriales

In Spain, after 2016, one of the major milestones in our WEEE recycling business was the signing of a contract to renew the equipment in the processing of end-of-life refrigerators and other refrigeration devices, located in Pont de Vilomara (Barcelona), with an investment of nearly three million euros.

With regard to the recycling glass business, in 2016 the “Tender for the award of the contract for the sale of glass managed for the eco-friendly company for recycling glass containers (ECOVIDRIO) in 2017” was won for the provinces of Zaragoza, Huesca, Teruel, Castellon and Valencia, altogether totalling 60,000 metric tonnes of this material.

In the United States, new contracts have been won amounting to 96.4 million euros, thus increasing the portfolio by 20% to 500.9 million euros. The municipalities currently served are Houston, Dallas, Orange County, University Park and more than 100 private clients. In total, 2.2 million inhabitants are served and more than 250,000 tonnes of waste are managed.

The main contracts awarded were:

- Contract for USW collection in Polk County valued at 96.4 million euros.
- Contract for managing recoverable waste in University Park for a five-year term.

With regard to industrial waste, one example worth mentioning is the authorisation received for a petroleum waste management facility in Port Fourchon (Louisiana), which will make it possible to receive waste generated in the petroleum facilities in the Gulf of Mexico. The opening of this new intermediate management facility increases and improves the activity of this treatment plant located in Theodore, Alabama.

In Portugal a contract was awarded for the disposal and management of 17,300 tonnes from an environmental liability on the left bank of the Tajo estuary. It will be implemented in the first half of 2017 and generate a turnover of three million euros.

## Service excellence

At present, different groups of stakeholders are increasingly concerned that companies should ensure compliance with clients' requirements as well as with those required by laws and regulations. Therefore, it is increasingly important for the company in general, and our area of business in particular, to devote their efforts, not only to complying with the requirements, but also to go beyond this compliance, and establish commitments to improvement and adhering to voluntary certification schemes to demonstrate the effectiveness of these commitments.

Thus, the Environmental Services area has implemented a management system based on the following standards: UNE-EN ISO 9001 (Quality Management), UNE-EN ISO 14001 and EMAS (Environmental Management), OHSAS 18001 (Management of Health and Safety of Workers), UNE-EN ISO 50001 (Energy Management), UNE 166002 (Management of R&D&I) and the Healthy Company Model.

Our management system ensures that the processes and activities that our organisation carries out are managed systematically and are aimed at fulfilling the requirements and at continuous improvement, thereby generating confidence in the different groups of stakeholders, both external and internal.

The main changes in the Management System in 2016 focused on the implementation of the 'Visión' computer tool and the integration of R&D&I and the Health Company model.

## Quality, environmental and energy management

Noteworthy milestones in 2016 in regard to certification were:

- **Certification in Energy Management.** The project for implementing the Energy Management System began in 2013, with the UNE-EN ISO 50001 certification of the contracts at the central Barcelona office, and was extended in 2015 to the Catalonia II, Galicia and Murcia-Almería offices, finally it was extended to all offices in Spain by the end of 2016. This is a milestone, given the broad scope of the certification, which covers almost all the activity of our business areas in Spain.
- **Certification of the R&D&I Management System.** During 2016, the R&D&I Management System was implemented as certification in accordance with UNE 166002 was obtained in November. In this regard, worth mentioning is the participation of the Machinery Department with several R&D&I projects related primarily to electric vehicles, and that of the Waste Disposal and Treatment Department with its Methamorphosis Project related to improving leachate treatment processes.

In addition to the above, the annual certification process was carried out, during which AENOR conducted its usual audits in April and May 2016. This process has allowed our business area to maintain the UNE-EN ISO 14001 9001 and UNE-EN ISO 14001 certificates for another year.

- In addition, during 2016, the external audit for maintaining the "Q Turística" certificate was conducted (in accordance with the UNE 187004 Standard) on the Palacio de Exposiciones and Congresos de Granada, S.A.
- The process of external validation of environmental statements in 2016 has resulted in the EMAS (Eco-Management and Audit Scheme) registers being maintained for the following offices:
- Central Barcelona (ES-CAT 000280) file 1994/0241/VM/02, on behalf of Fomento de Construcciones y Contratas S.A.
- Catalunya I (ES-CAT 000315) file 1994/0241/VM/03, on behalf of Fomento de Construcciones y Contratas S.A. for the contract for municipal waste collection, cleaning of the sewage system, and street cleaning, RBU, in L'Hospitalet de Llobregat (Barcelona).
- Levante I (ES-CV-000052) file 1994/0241/VM/ 04, on behalf of Fomento de Construcciones y Contratas S.A. in the Torrente, Benicarló and Quart de Poblet machinery park contracts.
- Cataluña II (ES-CAT-000415), on behalf of Fomento de Construcciones y Contratas S.A. for the contract for RBU and street cleaning in Reus (Tarragona).



RBU lorry Madrid

## FCC Residuos Industriales

FCC Ámbito has a Quality and Environmental Management System based on the ISO 9001 and ISO 14001 standards. In addition, at several workplaces, the Regulation (EC) 1221/2009 on eco-management and audit scheme EMAS III has been implemented. In 2016, internal on-site audits were conducted at 100% of the facilities and external audits at 68%, including the division's cross-cutting processes.

The industrial waste division continues its commitment to increasing the training given to workers, with an increase of nearly 11% in training credit consumption in 2016 compared to 2015.